THE Freeman

IDEAS ON LIBERTY

AUGUST 1956

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THE FOUNDATION FOR ECONOMIC EDUCATION, INC.

Irvington-on-Hudson, New York

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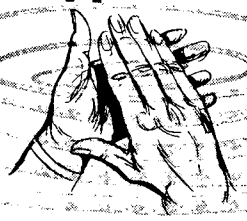
Of Interest to Taxpayers:

THE POST OFFICE DEPARTMENT *Applauds* THE U. S. CHAMBER OF COMMERCE



"One more dramatic demonstration of the widespread popular approval of the need to put the Post Office Department on a self-supporting basis."

That is the statement of the Postmaster General in referring to a policy resolution of some 4,000 delegates to the 1956 annual business meeting of the U. S. Chamber of Commerce.

Representing over 20,000 business organizations, large and small, and 3,200 local chambers of commerce, the delegates unanimously adopted the policy that:

- "Rates on fourth-class mail should at all times yield the Post Office Department revenues sufficient to cover the full cost of the service."
- "Costs of services performed for the Post Office by other Government agencies should be added to postal costs . . . "

Fourth-class mail deficits for fiscal 1956 are expected to be more than $65 million—$20 million shown in Post Office reports and at least $45 million in costs paid by other government agencies.

The U. S. Chamber position on below-cost parcel post rates, identical to the 1955 recommendation of the Hoover Commission to eliminate subsidies to parcel post shippers, is in the public interest.

The new Congress will have the opportunity to reduce the taxpayer burden and to reduce further the unhealthy and unnecessary government competition with privately owned, for-hire transportation businesses which serve the public.

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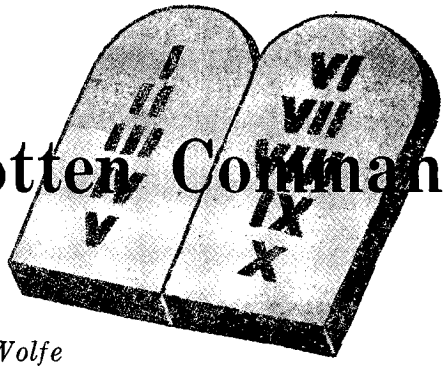
Does America's tax and subsidy system ignore the commandment, "Thou shalt not steal"?



Forgotten Commandment

EXODUS 20:15

Charles Hull Wolfe

DURING THE 1930's, certain American intellectuals spearheaded what might be called an ethical uprising in the social realm. They called for government intervention to benefit the less fortunate members of society, giving impoverished persons and groups the practical help of subsidies, price supports, and other monetary payments.

The idea, as everyone knows, proved immensely popular. Earnest political officials saw in it a chance to extend their sphere of usefulness: now government, instead of merely restraining evildoing, actually could do good. Many social scientists and other kind-hearted citizens likewise approved, thinking: "What a fine thing it is that Washington is helping the needy!" And those who received the aid — farmers, the elderly, the unemployed, citizens of "poor" states, and so on — saw the tangible benefits to themselves.

Considering these pressures, the growth and persistence of the large-scale practice of distributing subsidies is quite understandable. But, I believe — despite the widespread acceptance of this system — that the entire practice would be opposed by tremendous numbers of our people, even by many now receiving substantial government payments, *if they understood what is really going on, including secondary consequences.* We have looked only at the immediate effects of a policy, or the effects on only a certain group, and failed to examine the long-term effects, not merely on one, but on all groups.

Of course, we see that various segments of the population have special economic needs. We also

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see that the federal government has, or can get into its possession, the vast funds which can meet those needs. But we stop there, when we should go on and ask: "Where does the government get this money?"

The Magic Money Machine

It's quite possible that some citizens don't know. But even those of us who do are tempted at times to look at our federal government and imagine we see a fabulous, gold-plated Magic Money Machine. We are tempted to believe, somehow, that if only our legislators will work hard enough turning the crank, this magic machine will produce all the wealth needed by every impoverished group in our society.

And a great many persons are busy encouraging us in this illusion. Our politicians promise ever-larger bounties from the magic machine: bigger dams, better roads, better schools, more federal housing projects, higher parity prices. Many of our professors tell us this is social progress and social justice. And many of our journalists inscribe headlines announcing every new proof of federal generosity.

It certainly would seem that the Magic Money Machine is the wonder of the age.

Yet, we can search Washington, D. C., from the subcellar of the White House to the top of the Capitol Dome, and we will not find a Magic Money Machine. It does not exist. Of course, the government can always print more money — it can always dilute the currency. But there is no federally-owned gold mine in the nation's capital. Neither the President nor the congressmen nor anyone else in Washington has any self-replenishing treasure house from which wealth can be taken and distributed to the people.

Where Does the Money Come From?

Where, then, does our federal government get the billions upon billions which it doles out in subsidies each year? It's obvious enough. From the people, from taxing everyone actively engaged in producing wealth. Government has no wealth of its own which it could give to you or me or anyone else. Every time the government *gives* to one man, it has to *take* from another. Every time someone gets something for nothing, someone has to give something, and get nothing. Government can pay Paul only by first robbing Peter.

Now I have just used a strong word — "robbing." I said, in effect, that our government is robbing one citizen in order to give to another. This is a well-consid-

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ered conviction. And yet, it is perhaps too harsh an indictment.

For one thing, I believe most of those involved (the subsidy-seekers and the government officials) don't know that they're stealing. It's not intentional theft. Also, it is apparent that the government practice of taking from some in order to give to others is perfectly legal. Even if it is unconstitutional, government passes the laws enabling it to do this taking; so, legally, it cannot be called stealing.

But the moral law and the man-made law are sometimes two entirely different things, and in the end, man-made law has wisdom and validity only to the extent that it coincides with moral law.

The Moral Law

So let us evaluate our practice of taxing-some-to-subsidize-others in terms of the moral law which says, "Thou shalt not steal."

Now, most of us are used to thinking of stealing as occurring unexpectedly, and either secretly or by means of violence; and we ordinarily think of this stealing being done by an obviously unsavory character, and for an unmistakably selfish end — his own self-aggrandizement. But I think you will agree that we can eliminate every single one of those conditions, and still have stealing.

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The dictionaries agree that two elements — and only two elements — are always present in theft: the element of *taking* (that is, getting without permission) and the fact of *ownership* (that the thing taken belonged to someone else).

In terms of this basic definition, our government's tax-and-subsidize program *is* stealing — if (and this is an important "if") — if you actually own the fruits of your own labors, and if you do not want government to take them from you in order to give them to others. All we have to find out is whether you really own what you earn, and whether you would voluntarily let government take what you own and distribute it to other persons.

Do You Own What You Earn?

First, do you own what you earn? Do you own the fruits of your own labors? This is a big question, and I can only touch on it here. But I will take the time to say that this question is pretty close to the heart of the gigantic struggle of freedom versus slavery which is now engulfing the world.

On one side is the socialist, the communist, the totalitarian position. It says: "No, no man owns the fruits of his own labors. Society owns them, and it is the business of government to distribute them."

In the center is the "moderate collectivist" or "middle-of-the road" position: "A man should be allowed to keep *part* of what he earns. The rest belongs to society, to be collected and distributed by government." But this is only an evasion of the point. When you say, "A man can be *allowed* to keep part of his income," you are virtually admitting that government owns all of it, and that government alone, by its own generous discretion, decides that some part of it may be kept.

On the other hand, the voice of freedom asserts, "Man inherently, under the divine or natural laws, does own the fruits of his labors." This ownership hinges on the simple fact that man has a God-given right to life; and the right to life is meaningless unless there is the right to sustain and protect that life. If a man is denied the right to keep what he earns, to retain the fruit of his labor or his property, he loses control of the only means whereby he can sustain his human life!

This, incidentally, is a premise on which this country was founded. Throughout history, nations had been built on the assumption that the State was supreme, the people subordinate — and that the State had prior claims on every

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man's income. But the American Revolution (which was primarily an ideological revolution) overthrew these tyrannical assumptions; and the Declaration of Independence and the Constitution implied that the individual is supreme, the State subordinate — and that the function of government is to protect a man's life, liberty, and property, not to take them away.

What Would You Give Government?

Assuming that you should own what you earn, then the question arises: Would you voluntarily give to government any amount of your income that it wanted, even though you knew it was going to be used for the sole purpose of subsidizing others? This is not a question of charity — how charitable you want to be — but a question of whether you would voluntarily give up the right to determine how your income, above and beyond your immediate basic needs, is going to be spent. It is a question of whether you think you should relinquish that right to certain other persons called "government," or whether you should determine the spending of your own earnings — how much for your family, how much for various benevolent purposes, and so on.

I am not asking whether you would be willing to pay for a basic protective service which government renders for you at your request. I am talking about an additional tax, on top of that, which is not for you at all, but for somebody else.

We might call one part of our present tax the *basic* tax; the additional part, a *subsidy* tax — a tax we pay in order to subsidize others. I say that even though we pay the basic tax reluctantly, most of us pay it pretty much voluntarily. That is, we know we ourselves want a certain service from government, and we know it has to be paid for. But I believe many of us — if asked — would *not* be willing to pay an additional tax for the sole purpose of transferring our wealth to someone else.

Suppose that only the basic minimum tax were compulsory in this country and that there were no subsidy tax. And let us say that the Governor of Tennessee had come to you and asked you to put up some money to help build the TVA dam. Not a loan — an outright gift.

You know, of course, that the dam is primarily for the benefit of the people of the Tennessee Valley. You also should know that if you give the Tennessee Governor money one year, he'll be back for more the next; and he and his successors in office will keep on coming back till the day you die.

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The Word Will Spread

Furthermore, if you give a single dime for the TVA dam, the word will spread like wildfire that you have subsidized something in Tennessee; and the governors of the other 47 states will be after you faster than you can say, "My poor aching wallet." And so will you be approached by everyone else who thinks it might be nice to have a subsidy — to get something for nothing.

The wheat farmer, the corn farmer, the peanut farmer, the unemployed, the unemployable, the elderly, the veterans, all who want improved roads and hospitals and schools and dams and harbors and irrigation projects and the thousand-and-one other things that occupational and geographic groups in towns and cities and states can ask for — by the hundreds they'll come — knocking at your door, writing you, phoning you. They'll never let up. Their imagination and persistence will prove unlimited.

Knowing full well that this is the pattern — would you voluntarily, on your own initiative, help to subsidize the TVA dam, or any other project seeking government aid?

Before you say yes, let me state that the situation I have just portrayed is literally what *did* happen to our United States congressmen during the past 20 years. A few congressmen, urged on by certain pressures, put through a subsidy for one group, who promptly concluded it was something government *owed* them, and have literally demanded it ever since.

Other groups, seeing the pleasures of "something for nothing," shouted, "Me too!" After all, they reasoned, "You are the government — you've got to be impartial! You gave to Tennessee — why not to me?" And the subsidy-seekers have been swarming around the nation's capital ever since. Almost every year they take a bigger cut out of your and my earnings.

And who determines how the loot is divided? We like to imagine it is some cool deliberative body — "government" in the abstract, dispensing "economic justice" according to the dictates of impersonal science and impartial wisdom. But what is *actually* going on? Pressure groups are fighting like cats and dogs to see who can get the biggest shares of the something-for-nothing money. And congressmen are perpetually making deals with each other — "You vote for my subsidy and I'll vote for yours."

Now this is what we bargained for when we started this subsidy business. Increasingly, everybody

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is subsidizing everybody — and government, rather than the individual citizens, is determining how individual earnings are spent. The whole problem was implied the very first time we let government step in and take wealth from one in order to give to another. So I ask you, "Voluntarily, on your own initiative, if you were acting as government, would you have started this subsidy operation with a contribution from your own income?"

If you say, "No, I would not" — and if you have already agreed with me that you own the fruits of your own labors — then I think you are concurring with me that the subsidy program is virtually a form of stealing. Unintentional? Perhaps. Legal? Yes, though actually unconstitutional. But still it would seem to me, by the judgment of moral law, inherently an act of theft.

Government Camouflage

Why, then, is it not more commonly recognized as that? Largely, I think, because the mechanics of government tend to camouflage what is going on. Government processes are so automatic, so mechanical, so impersonal, that it is easy to lose sight of what is actually happening.

The whole picture would become startlingly clear if we would remove the mask of government procedures, and reduce the situation to its basic human elements. Let's take the farmer who demands a subsidy. Ostensibly, he asks it of government; but actually, he requests it of his fellow citizens. He is virtually saying to them, "I insist that you pay me more than the free market price for what I raise. I demand that you pay me more than you would voluntarily."

If the farmer said that to each of his customers in person, they'd just laugh at him. So the farmer asks government to provide a subsidy. Instead of collecting that subsidy through taxes, what if the government said to each farmer, "You go and collect this subsidy yourself. We will assign a policeman to each farmer, and you can go door to door all over the United States, and demand your price support in person. If anyone refuses to give you his share, the officer may arrest that person and take him to jail."

Even if the government subsidized the farmer during this tedious collection process — and paid all his traveling expenses — how many farmers do you suppose would be willing to accept price supports under such conditions? Why, it would be too humiliating, too degrading to go about begging or bludgeoning one's fel-

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low citizens. Any normally self-respecting farmer would refuse to do it. He would see for himself that he was engaged in an act of theft, and would turn from it with loathing.

Morals and Economics

"All right," someone says, "I'm beginning to see your point. Reduced to its basic moral and human elements, this subsidy business might be called stealing. But even though it is morally regrettable, is it not economically advisable? Don't you agree that from the viewpoint of practical economics, it makes more wealth available?"

That's a good question. But the answer is that the subsidy system is not economically advisable. There is a most interesting and significant correlation between morals and economics. What is morally sound tends to be economically sound, and vice versa; and this applies very pointedly to government subsidies. For the people as a whole, the subsidy system does not increase wealth, but only transfers it, and in the process greatly reduces it, and takes away precious freedoms.

How Can It Be Stopped?

If the subsidy system is wrong, then how can it be stopped? The answer is simple. We can solve this problem by recognizing that just one thing makes it possible: government intervention, the present misguided notion that government should dispense economic privilege. Left to their own devices, our people would never think of taking from one another in such fashion. Even if a neighbor offered to steal for him, no honest man would accept a gift of stolen goods. And if such wholesale thefts were attempted without State sanction, the police and courts would halt it faster than you can yell, "Stop, thief!"

We find the answer close to home — in the kind of political instrument conceived by our own Founding Fathers. We find it in the spirit of limited government crystallized in the Declaration and formalized in the Constitution. Under this system, the political mechanism has no power to bestow favors on any class or section — rich or poor, business or labor, city or farm, North or South. It has no authority to take from one to give to another, no authorization to interfere with the normal functioning of the free market. In this sort of society, charity is voluntary, and can be both individual and institutional; but theft in all forms is absolutely illegal. The commandment, "Thou shalt not steal," is remembered and obeyed.

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Natural Laws of Human Relations

Dupuy Bateman, Jr.

Human relations, like science, are bound by certain inexorable laws which men violate at their own risk.

EVEN DEMAGOGUES and dictators respect the natural laws of science. Yet all of us to some degree fail to have equal respect for the natural laws of human relations and of economics. We seem constantly under illusion that we can violate these laws for our own self-benefit and somehow escape the consequences or even better still require someone else to pay for the consequences of our violations.

Our Chambers of Commerce, our labor unions, our trade associations, our farm organizations, and we citizens individually, never urge Congress to repeal the law of gravity, nor to pass laws which contravene the law of conservation of energy. Yet our same organizations, we same citizens, somehow do not hesitate to urge Congress to pass laws intended to set aside or nullify the law of supply and demand or intended to imply that one can get something for nothing.

Our economy is so finely integrated and its parts so interdependent that the effects of any violation of social laws are often thinly diffused over the whole. Injuries from single actions are little felt, and so we repeat and enlarge the injurious action; and only in time are the consequences felt — as in taking dope or piling straws on a camel's back. But invariably the natural laws of economics assert themselves, and however long postponed, eventually the "crows come home to roost." Can there be a more striking example than the price depressing farm surpluses which now overhang the market as the result of the perpetuation of an unsound law passed to benefit the very group which now is being injured by its ultimate though long delayed consequences?

Let's take another case — the Hawley-Smoot Tariff Act, which Congress passed in 1930 with the positive intention, I am sure, of benefiting certain groups within our country and with the less positive but no doubt hopeful intention that it would benefit all

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groups in our nation. How all groups could be benefited by a measure intended to raise prices and therefore the cost of living was apparently not reasoned through.

How MANY LESSONS have we learned from our past mistakes? We still see nations which will support *only* governments committed to the erroneous principle that inflationary fiscal policies will bring a higher standard of living to its citizens. We see our own country committed to a policy of "controlled" inflation. Franky, I am not too sure what "controlled" inflation means and whether inflation can be controlled once it gains sufficient momentum. We see nations demanding that government take over ever-increasing segments of businesses and services, presumably on the theory that government ownership provides more incentive, greater ingenuity, and a higher standard of living for its citizens than ownership by individuals or groups of individuals can provide. There are strong forces here which with some success constantly urge the same course for us. It is my belief that inflationary fiscal policies and government ownership of production violate fundamental laws of economics and human relations and that the bad seeds of such violations will eventually reap a harvest of bitter fruit.

If WE DEMAND as a condition to election that our congressmen and senators constantly violate these natural laws, then we deserve the sort of government that we get and the consequences of such government. Whatever personal association I have had with congressmen and senators leads me to believe that they are far more capable than their constituents ever give them credit for being and that they would prefer to give us better government if we weren't constantly pressuring for bad government. In the final analysis, bad government is not much more or less than taking away from one group to give to another group, or taking away from other nations for supposed benefits to certain groups within our nation.

Our real hope for good government, for economic well-being, for peace, and for preservation from annihilation by destructive war lies solely in developing greater respect for and more thorough observance of God's laws — which include the natural laws of science, economics, and human relations.

Although it is more difficult to bring people to the widespread belief that the natural laws of human relations and of economics

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are just as eternal and inexorable as the natural laws of science, and that the consequences of violation in the long run are just as disastrous, I am hopeful that scientists can lead the way to better understanding of these fundamental values. Scientists have shown great capacity for educating themselves and practically everybody else in the futility of trying to nullify, set aside, or change the natural laws of science. We businessmen and those who make politics their profession seem not only to have failed to convince people generally that our natural laws of economics and of human relations cannot be violated without disastrous consequences but we often delude ourselves into believing the specious arguments which we make for special interests in the name of the general welfare. We need better understanding among ourselves.

Let each of us begin, individually.

From an address, American Oil Chemists Society, Houston, Texas, April 23, 1956.

Good Samaritan Economics

FROM THE STANDPOINT of economics and individuality, certain aspects of the story of "The Good Samaritan" merit further attention. It is to be noted that the Samaritan's sense of duty toward his fellow man had not been dulled by a government bureau; his individual love for humanity remained sharp. Nor do we find him relegating the victim to some humanitarian cause. No, we find this Samaritan assuming the responsibility as his own privilege, and moreover, paying in advance for the man's immediate needs. Apparently, the Samaritan had not been milked dry by taxes for the care of the unfortunate, so that the joy of voluntary service remained in his possession.

We do not find the Samaritan scheming to establish a government bureau to take care of such cases. Nor did the Samaritan rob the man of his native ability to carry on for himself upon recovery. No attempt is made by the Samaritan to send the man to an organization of some kind for rehabilitation. He seems to know that, with a minimum of help toward recovery, the man will be able to assert his individual resourcefulness even though he had been stripped and robbed of all that he possessed. Thus the man's ability is not stultified. He is free to make his own way. He is not softened nor is his determination siphoned away by parasitical ideas.

This is true economy—the economy of independence — commended, we are told, by the founder of Christianity.

CONSTANCE F. BURNHAM,
Santa Barbara, California

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Bums or Brothers?

Kenneth W. Sollitt

HE WAS a tall, ungainly youth, but likable. He was sick much of the time; sometimes we felt he was less sick than he said. He had graduated from high school but could not afford to go to college, and didn't think he could earn his way as I had done.

His father had died and his home been broken up. He needed an eye operation and had symptoms of ulcers. He was my brother (by marriage) and he came to live with my wife and me in a Vermont parsonage.

That first winter, he spent much of his time in bed — too much, it seemed to me. He had a mechanical turn of mind; and since we had given him the job of caring for the furnace, as he lay in his bed upstairs, he dreamed up an electrical device for opening the furnace draft without getting out of bed. We joked about how lazy he was, but secretly admired his American ingenuity and aptness for devising new and better ways of doing a job.

The eye operation was performed. The ulcers were treated. He was still not well. But with the coming of spring, my wife and I agreed that it was time to stir the nest.

How well I remember the day I loaded him into my 1934 Chevrolet and took him up into the hills to a farm where I knew the farmer needed help, told him to get out and not to come back until he had proved he could make a living for himself.

I am sure he must have felt as panic-stricken as I felt guilty. It was no easy thing for either of us to do. Yet from that fateful morning stems the beginning of my brother-in-law's improved health and his success.

Today, his inventive genius is being used in aeronautics. He is a tool designer in one of our West Coast plane factories. He is happily married, has one child, owns his own home in Los Angeles, and is a credit to society. I am proud of him. He could easily have been a hypochondriac, a perpetual recipient of relief — or a bum.

During those days in 1934 and '35, there were so many unfortunate people in the United States and so little money in circulation

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The Reverend Mr. Sollitt is minister of the First Baptist Church of Midland, Michigan.

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and so much emphasis on taking care of those who could not take care of themselves, that one question kept haunting my wife and me. It was the question Cain is reported to have asked of God: "Am I my brother's keeper?"

It is a perennial question. And with a certain sort of sentimental smugness, the church has often assumed that it must of course be answered in the affirmative. So churchmen joined with politicians in dividing what had been a fairly homogeneous society into two classes — the keepers and the kept. Ever since, we have been wondering what happened to brotherhood.

POLITICIANS have risen to power by dividing society into these classes and then playing class against class. And the church has stood on the sidelines cheering for the underdog (especially when he was on top), not realizing that you can't divide brothers into classes antagonistic to each other and still maintain brotherhood between them.

True, there have always been those in every society who could not take care of themselves — the blind, the mute, the orphaned, the aged, the ill, the feeble-minded, the insane — but until recently, public opinion did not look upon a kept-person career as a particularly laudable achievement. Today, a scramble is on to get out of the keeper class into the kept class — to be bums instead of benefactors, with no one thinking much about being brothers.

Those who cannot take care of themselves should be taken care of, and in the most brotherly way possible. But there is often a more brotherly way of dealing with people than just keeping them. And it may be the way that seems least brotherly at the time.

Cain, the keeper of the fields, plowed, planted, cultivated, and harvested. It was his job as keeper of the fields to help the fields produce. And to do that, every modern farmer knows he has to do more than feed seed and fertilizer to the soil. There is plowing, harrowing, and cultivating to do.

Abel, the keeper of the flocks, guarded, guided, tended, and bred the flocks and helped them also to produce. It was his function as a shepherd to care for his sheep. But the point of the whole thing was to help them to produce wool, mutton, and lambs. And so, in addition to feeding time, there was also shearing-time and lambing-time. It was not all cool waters and green pastures.

What is a brother's function today? Is it to be his brother's keeper in the sense that he feeds him, clothes him, houses him, and pro-

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vides him with false teeth and glasses? Or may he do none of these things and be a better brother, if in withholding them he helps his brother produce something to justify his existence on earth?

Obviously there is more to being a brother's keeper than just keeping him in food, clothing, beer, and television. Together, brothers must keep each other in attitudes of self-respect and mutual helpfulness, but dividing them into the "keepers" and the "kept" destroys all this. Keeping for both parties a sense of social usefulness is the exact opposite of building up between them a keeper-and-kept relationship in which social usefulness is a consideration of neither.

PERHAPS the government ought to rethink some of its social legislation in the light of what it is doing to the American people. Certainly the church ought to rethink its attitude toward the question, "Am I my brother's keeper?" and seriously consider whether it is possible to be your brother's keeper and your brother's brother at the same time. And it seems to me that when we begin to think straight on these problems, we will come up with some very different conclusions than we have heretofore affirmed.

1. *Brothers cannot be divided into two classes — the keepers and the kept — and remain true brothers.* If we are *forced* to be our brother's keeper, as when government taxes the industrious to keep the indolent, and to keep them from ever being anything but indolent, certainly no feeling of brotherhood is induced by the process. If, on the other hand, we *voluntarily* assume a paternalistic attitude toward our brother, our paternalism is apt to knock our fraternalism into a cocked hat and we become, not his brother, but something arrogantly superior.

And isn't there something about the prolonged acceptance of social favors which makes the recipients think of their benefactors as servants instead of brothers? By no stretch of the imagination can it be assumed that one brother is predestined to be a perpetual benefactor and another a perpetual beneficiary, or that if this is the case, true brotherhood can long remain.

2. *It is no mark of distinction or evidence of merit to want to be a kept person.* The very word "keeper" has unpleasant overtones. It makes us think of a jail, or an insane asylum, or a place where dumb animals are trained to do tricks, or a socialist government which is a combination of the other three.

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By any of Webster's definitions of the word "keeper," keepers are needed only for criminals, dumb animals, things about to spoil, museum pieces, graveyards, and the relatively few human beings who are mentally or physically unable to take care of themselves, or unwilling to do so.

We need to take some of the attractiveness out of being kept persons, but we cannot depend upon politics to do it for us. Politicians find that making dependence upon government respectable pays off in re-elections. People like to believe that the easy way is the moral way, and that simply being born is qualification enough to demand the right of being cared for at the expense of others.

3. *The way to make a bum out of a brother is to do for him what ought to be expected of him.* What passes for softheartedness is often nothing but softheadedness. What passes for brotherhood is often just taking the easy way out and furnishing the dime for the cup of coffee, instead of doing the harder thing and furnishing the incentive for becoming a self-supporting member of society.

The time is at hand to stop this nonsense about being our brother's keeper and to start being our brother's brother. For brotherhood is not only a relationship. It is also an attitude which grows out of a relationship. And the relationship of "keeper" and "kept" never has — and never will — produce the attitude of true brotherliness.

Reprinted by Special Permission from *The American Mercury Magazine*, March 1956.

The "Protective Spirit"

THE TERRIFIC URGE to prevent another person from making a "mistake" must be resisted if liberty is to be preserved. The "protective spirit" that leads a fond parent to prohibit his child from acquiring mature judgments, as he substitutes his own opinions for those of the child, leads the dictator to act as he does in "protecting" his political children. There is no possible way to allow a person to be right without also allowing him to be wrong. The only way to avoid responsibility for another's mistakes is to allow him the full glory and reward of being right, as well as the full dishonor and penalty of being wrong. Only in this way can one person isolate himself from the mistakes of another, whether it be a Stalin or a neighbor.

F. A. HARPER, *Liberty: A Path To Its Recovery*

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Too Much Legislation

— in Britain, a century ago.

IT MAY BE USEFUL, now that the public attention is likely to be again much directed to domestic affairs, to advert briefly to the principles on which laws ought to be made, or what is called the philosophy of legislation. From the want of a knowledge of these principles, which can alone supply a standard for making or amending laws, we make laws one session, and repeal them the next, or a session or two afterwards; we allow individuals to suggest or make laws according to their fancy or caprice; and we have in consequence now got a great heap of undigested laws, filling we know not how many volumes, which are a standing disgrace to both Houses of Parliament and to the whole nation. . . .

We must now find out what laws will answer the purposes we propose and what will not. At this moment society is very generally philanthropic, extremely desirous of improving the condition of the multitude; it is deeply affected by sufferings from disease and want, from close, small, and crowded dwellings, and seems resolved by legislation to get rid of dirt and discomfort. The object is excellent; the legislation, however, in the main is really directed against poverty; it is carried out, and can only be carried out, by some kind of restrictions and some kind of office-bearers to see them executed — an infallible means of dividing the existing amount of wealth in smaller portions, with no tendency to increase the whole, and certain, therefore, to sharpen and augment the poverty it really aspires to lessen.

THE PRINCIPLE on which legislation must proceed to lessen poverty is, as we now know from much experience, to remove restraints and restrictions, to permit the field of enterprise to become common and uninclosed as Nature made it, to leave the development of all the diverse faculties and powers of individuals perfectly free, assured that they are no more made in vain than the many flowers of the field. Their full development is necessary for the well-being and harmony of the whole, and the legislation which proposes to lessen poverty and its multiplied evils by any kind of restrictions is an error.

The Economist (London), June 7, 1856

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Take Off the Chains

WE ARE CERTAIN in our own minds, and we are confident that the vast majority of our readers are sure, that given a fair field and no favor the American system of individual freedom and private initiative would prove so far superior to the authoritarian system of the Kremlin that it would have to be called "no contest." Such a faith, however, does not rule all hazard out of the sort of competition that the Kremlin masters appear to be planning. This is merely a somewhat new form of world politics, and, as always, all great powers have to be on the alert to protect their interests.

Duplicity and intrigue aside, the free enterprise system as it exists today has an Achilles' heel but the flaw in its armor is not what is commonly believed.

The basic trouble is that the so-called free enterprise nations are not, and are no longer willing to be, really free enterprise nations. To make the matter worse, the so-called underdeveloped countries and areas are willing neither to practice free enterprise nor to impose upon themselves the discipline necessary to ordinary civilized business activity. Past exploitation, real or imagined, has led to a state of mind in many if not most of these countries which seems to render stability and firm performance under contracts difficult to achieve. In the so-called advanced countries, whence capital for development of backward areas must come, would-be investors often if not usually find interests at home vigorously opposed to any system which would permit investors to bring the earnings of their foreign commitments home.

If the noncommunist world were one free enterprise community, there would, of course, be no tariff walls or arbitrary restrictions of any sort to prevent the ready flow of goods across national borders. There would be no publicly imposed discrimination against or special favoring of goods anywhere in the world. The most efficient or the most favorably located producers, let us say, of textiles would supply the free world with this type of goods. They who could make and ship automobiles to meet popular taste most inexpensively would have this trade throughout the free world to themselves. Groups, whether domestic or foreign, ca-

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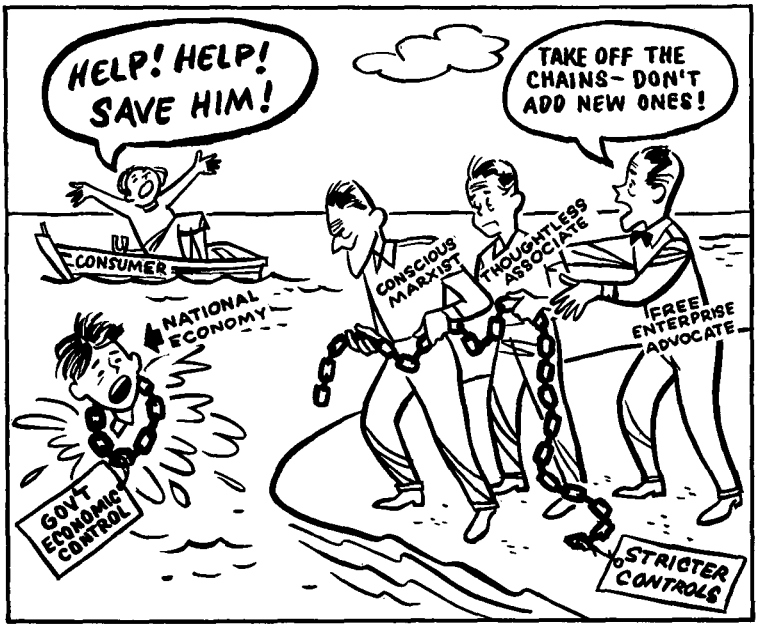

When controls do not work, the answer is not more controls but fewer controls.
— HENRY HAZLITT

pable of supplying transportation least expensively would perform that service for everyone. There would be no restrictions on the movement of funds, whether investment or current, from one part of the free world to another. Law and order would prevail and the rights of property would be respected.

But where in all the world do all these conditions now exist? To be sure, law and order prevail in most countries. In many, if not most, a certain respect for property rights exists — but unfortunately it is quite frequently more honored in the breach than in the observance. Most serious of all, at least so far as international relations go, is the fact that ultranationalism has developed to the point, in some countries at least, that imports are tolerated only where they are virtually indispensable. Restrictions of imports occur not only in those countries like Britain which is under the necessity of paying for large quantities of goods made abroad, but

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in other countries like the United States where the burden of imports is appreciable only on those who feel competition from more efficient or at all events more successful producers. And when such conditions restrict the flow of investment funds to needy areas the popular remedy of the day is not to remove the barriers, but to force the flow of goods by means of public funds and governmental fiat.

And then, internally, none of the noncommunist countries is any longer really free enterprise. Take our own country, for example. We still sing of the land of the free, but economically speaking freedom certainly does not mean what it used to mean or ought now to mean. When law does not interpose its might to thwart the plans of entrepreneurs, taxes so heavy as to cripple operations often are encountered. These taxes are hardly more onerous than the system of collection imposed upon business. The multitude of regulations require — or at least impose — record keeping and other costly reports. And worst of all is the interjection of government into the private affairs of the citizens. We have long had such regulation of the utilities and the railroads, but of later years securities issue and even trading have felt the same dead hand. So-called social welfare legislation has imposed further burdens upon all manner of businesses.

Despite all this, man's eternal urge to better his own condition has worked miracles of production and distribution under a system only partly entitled to be called free enterprise. The record of this country in the field of production and trade is the envy of the world, including the communist countries. But think what it could do if the shackles were struck from its hands and feet! If the competition which the Kremlin promises us is to be met by the so-called free world, then what is most needed is more attention to the removal of the handicaps which we place upon ourselves.

From an editorial, *The Commercial and Financial Chronicle*, May 10, 1956.

AGRICULTURE, manufactures, commerce, and navigation, the four pillars of our prosperity, are the most thriving when left most free to individual enterprise.

THOMAS JEFFERSON

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Looking Out for Yourself

Leonard E. Read

This Commencement address—Illinois Institute of Technology—urges all technically-trained specialists to avoid isolation and to gain an understanding of the society in which they live.

FIRST, may I offer you hearty and well deserved congratulations on completing the formal, institutional phase of your education. And I especially offer you best wishes for the next and most important phase of your education — that which is to come under your own management. For assuredly, graduates of this splendid Institute will avoid an all too common error — the notion that the beginning of earning is the end of learning!

It is not at all improbable that you have, until now, been so engrossed in technical and other formal educational pursuits, that you have given but scant thought to the educational program you must resolve for yourself, beginning tomorrow. I would like to present for your consideration some of the problems I foresee for you, issues with which students of specialized subjects may not be too familiar.

Unless you are alerted, or are different from most of the folks I know, you can easily remain unaware of the two opposed ways of life that will be contesting for your attention and support in the years ahead. One of these ways — the collectivistic — has by far the most numerous adherents. Indeed, you will be fortunate if you find even a few individuals who harbor no collectivism whatever. Collectivism is easy enough to identify when it comes plainly tagged as socialism, communism, Fabianism, Nazism, the Welfare State, the planned economy, or state interventionism. But one has to be sharply discriminating to discern it when it is untagged or concealed; when it is offered as proper fare by so-called conservative political parties; when it is endorsed by many high-ranking business leaders and their organizations; or when it is urged upon you by your best friends.

Collectivism is a system or idea which holds that the collective — as distinguished from the individual — is what counts. Indi-

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vidual hopes, aspirations, and needs are subordinated to what is termed "the collective good." Practically, no such system can be implemented unless some person or set of persons interprets what "the collective good" is. Since it is impossible to obtain unanimous and voluntary agreements to these interpretations, they have to be enforced — and enforcement requires a police arrangement which in turn dominates the lives of all persons embraced by the collective. Implicit in all authoritarian systems are wage and price controls, dictation as to what will be produced and distributed, and by whom.

Russia is the world's most pronounced example, but here at home we see the same thing rearing its head in the form of rent control, Valley Authorities, public housing, parity prices, acreage allotments, union monopoly, federal subsidies of every description, federal subventions to states and cities and districts, governmental foreign-aid programs, import quotas, tariffs, manipulation of money, such as the monetization of debt, and so on.

However, it is more or less idle for me to dwell on what I believe to be error. As has been well repeated over and over again, "It is better to light a candle than to damn the darkness." A much sounder approach is to displace the wrong by advancing the right, to argue positively instead of negatively. With this in mind, I should like to take sides in the ideological hassel of our times and commend to your attention the way of life which is the opposite of collectivism. This way of life, also, has numerous labels, but I'm going to give it a simple and descriptive name, "Looking Out for Yourself." That's about as opposite as you can get from having the government looking out for you.

NOW THERE'S A LOT MORE to this looking-out-for-yourself philosophy than first meets the eye. To the unreflective person — to the victim of clichés and catch phrases — it will suggest a life of non-cooperation, greed, the law of the jungle, and no concern for the well-being of others. But, be not deceived. If you intelligently look out for yourself, you will thereby follow the way of life most valuable to others.

Perhaps you will better understand this idea when I explain why there isn't anyone on earth you can constructively control except yourself. Control can be divided into two types, the destructive and the creative. It is simple enough to control others destructively. Little intellectual achieve-

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ment is required to restrain others, to inhibit their actions, to destroy their lives. There are all sorts of ways to get on the backs of others and hinder them in their creative actions. But the hindering type of control is quite different from the helping type. The hindering type rests primarily and ultimately on the application of brute or physical force.

Now brute or physical force is all right if confined to its proper sphere — that is, restraining and inhibiting destructive actions such as violence, fraud, misrepresentation, and predation against peaceful persons. Broadly speaking, this is the logical function of government. In sound theory, government should use its police powers only to do for all of us equally that which each of us has a moral right to do for himself in defense of his life, liberty, and property. It should apply physical force only defensively in order to repel that which is evil and unjust.

It should be clearly understood that brute, physical, or police force cannot constructively help anyone. It can give only a negative assist by clearing the obstacles from the road to opportunity. No person, nor any set of persons, can physically force anyone to invent, to discover, to create. Let us face this fact: One can have no control whatever over any other person creatively. We are indeed fortunate if we have very much control even over ourselves creatively. In any event, such creative control as any of us possesses is confined strictly and exclusively to self.

CREATIVELY, man has no control over others, no power over others, except the power of attraction; and even then, it is the other person who decides upon and determines the degree of attraction. This is a God-bestowed limitation on all men for which we should be forever grateful. I, at least, am pleased that others cannot *compel* me to accept as eternal verities that which they claim to know. And I am even more pleased that I cannot force my opinions and beliefs upon others.

The power of attraction is always and forever a subjective judgment! One may be attractive to none, to a few, to many. Figuratively, others look us over and decide for themselves whether or not we have anything worth their consideration. After all these years of schooling, you fully realize that no teacher is ever self-designated. It has always been you who decided what, if anything, you learned from your teachers. Or, to use a more obvious example, it is the person with the receiving set who does the

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tuning in — it is never the broadcaster.

Put it this way: I can help you in a material sense only if I have money to lend or give to you, or goods and services to exchange with you. I cannot help you materially if I am a pauper. Intellectually, I can assist you if I possess understanding not yet yours. The moron can give us no help intellectually. Spiritually, I can be of value to you only if I am in possession of insights which you have not yet experienced. Materially, intellectually, and spiritually, I am limited to what I can do for any other person by what I have to give, by how well I have looked out for myself in these areas.

ONCE WE HAVE GRASPED the idea that the best way to help others is first to look out for ourselves, we should next consider how important it is that we do help others. I would like to emphasize the point that each of us, if self-interest be interpreted accurately, has a vested interest in the material, intellectual, and spiritual well-being of others; that our very existence depends on others.

To appreciate the extent of our dependence on others, we need but realize that we are living in the most specialized, the most advanced division-of-labor, the most removed-from-self-subsistence society in all of recorded history. For example, you will discover, as you take up your highly specialized tasks, that someone else will be growing, processing, and delivering your food, that someone else will be making your clothing, building your home, providing your transportation, supplying your heat, and making available to you most of the new knowledge you acquire. Indeed, you will discover that individuals from all over this earth will be at your service, willingly exchanging their millions of specialties for your own single specialty. You will discover that you will consume in a single day that which you could not possibly produce solely by yourself in thousands of years. You will see about you a release and exchange of creative energies so fabulous that no living man can trace or diagnose the miracle. You will, for instance, pick up the receiver of a telephone, and instantly there will flow to your personal service the creative energies of Alexander Graham Bell — of tens of thousands of metallurgists, engineers, scientists, operators, linesmen — a complex of creative energies flowing through space and time in order that you may talk to your parents or friends in a matter of seconds.

No one of us can exist without

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these others. And I repeat, each of us has a vested and vital interest in the creative energies of other people and in the uninhibited exchange of their services, ideas, and insights. We must, if we would intelligently look out for ourselves, see to it as best we can that these others be free of private or political marauders, interventionists, and parasites. Any inhibition to their creative lives is opposed to your and my personal interests, and we err and do not look out for ourselves if we sanction or fail to oppose such debasement. And further, it is incumbent upon all of us to rise as far as we can in our own intellectual and spiritual statures so that these others, on whom we depend, may find something in turn to draw from us.

There is another point about this highly specialized society which deserves your reflection. You men and women, highly trained as specialists yourselves, represent the cream of this year's crop. Tomorrow, you will enter a society in which there will be millions of specialists, the cream of numerous former crops. I hope you will not emulate so many of them who attend only to their own specialties and little else beyond acquiring wealth and entertainment. Perhaps the most dangerous trend of our times is this: Specialists — the cream of the crop in intellectual and spiritual potentialities — who, by attending only to their diverse specializations, leave to the skim milk of the crop the vital problems of man's proper relationships to man.

SPECIALIZATION has its unquestioned blessings. But there is always the danger, which we are now witnessing, of its taking off like spokes from the hub of a wheel, on and on with no regard to boundary or periphery, with each specialist heading into an ever-advancing remoteness, into an atomistic world of his own, always widening his distance from others, losing social cohesiveness with society disintegrating as each of us loses integration with others, with communication between specialists becoming more and more impossible, with nearly all specialists "too busy" to read, study, and meditate on the general problems of man's proper relationships to man. When these trends characterize a society, that society isn't merely doomed to collapse; it is destined to explode! If you would look out for yourself — and thus for others — you will by example and precept do your part in reversing such trends.

In order that I be not misunderstood, I repeat that specialization has its unquestioned bless-

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ings. Specialization, when practiced by whole men, by those who reflect on the meaning of life, by those who have an acquaintance with the humanities, and in a society where creative energies are uninhibited, is the road to material wealth — which can, in turn, lead to intellectual and spiritual wealth. But while specialization is the means to wealth, let us not think of material wealth as an end in itself. Material wealth, like specialization, is only the means to higher ends — intellectual and spiritual wealth.

IT SEEMS TO ME that if material wealth has any moral purpose at all, it is to free man from the restrictions which are imposed by a subsistence level of living; for when one has to labor in the rice paddies from sunrise to sunset merely to eke out an animal existence, he doesn't stand much chance of evolving and developing those numerous potentialities peculiar to his own person. But wealth is not something to be pursued for wealth's sake or merely for luxuries, or quick retirement, or for shirking the problems of life. Material wealth, morally speaking, is but the means to free us from lower employments so that we may labor more industriously at higher employments, that we may develop more fully the life of the intellect and of the spirit. Material wealth is but a tool to help us develop our God-given faculties of intellect and spirit.

AND NOW, a word of counsel. The market place is in high-pitched competition for your specialized services, and the emoluments being offered are relatively high. This may make the future look extraordinarily promising to you. And it can be promising if you don't become isolated in your own specializations. There are many brilliant but lost specialists in industry today, persons who cannot be promoted into higher positions because of a narrowness in their scope. They lack an interest in the problems of others on whom they depend, and an understanding of the society in which it is their lot to live.

Broadening one's scope, continuing one's education into other than one's own specialty, is not a dismal but a glorious prospect. It can be the very zest of life. Certainly, it is a well-known fact that any specialist, be he writer, painter, cook, or engineer, is a better specialist if there be breadth in his understanding, if he be an integrated person, if he has balanced judgments as to right and wrong principles in man's relationships to man.

The deviltry going on in the

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world today is not primarily caused by criminals. The truly malevolent persons are too few in number to account for our wars and the continuing accumulation of vast armaments between major conflicts. The thoroughly evil persons among us are not numerous enough to account for all the racial and national hatreds and prejudices, for labor violence, for the growing belief that the honest fruits of one's labor no longer belong to the earner, for restrictions on the exchange of goods and services, and for the many other collectivistic inanities and horrors. These things are not the doings of criminals. They originate mostly with the well-intentioned, those who wish to do good to others but who, lacking personal means, thoughtlessly see no harm in employing the police establishments to impose their brand of good on the rest of us, to use the fruits of other persons' labor to satisfy their own charitable instincts.

God bless you in your chosen pursuits, but I implore you not to specialize to the exclusion of your role as good citizens. Don't leave us and yourselves to the mercy of political parasites, those who would try to act the part of God, those who would cast us all in their immature little images. If you would effectively look out for yourselves and thus for others, if you would have a society in which your specializations are to have meaning for you and for your fellow men, if you would realize the possibilities in your own individual creations, you will attend to the perfections of that society. And you will best do this by the perfection of yourselves, not only as skilled specialists but also as accomplished expositors of the looking-out-for-yourself philosophy.

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Unemployment by Legal Decree

Bettina Bien

Consider the person who is incapable of earning the legally-fixed minimum wage.

LAST YEAR, when Congress was debating the question of a new minimum wage law, labor unions were strong in their praise of such a bill. When the new minimum of $1.00 an hour for workers in "covered" industries became effective on March first of this year, they patted themselves on the back for their part in its passage. At the same time, they promised their members to work for broader coverage at a still higher rate. A minimum wage law, they would have us believe, is the open sesame to the Utopia of higher living standards for everyone, particularly for the poor. But is it?

Our first federal minimum wage law was enacted in 1938 — the so-called Fair Labor Standards Act. Its principal objective was to foster "the minimum standards of living necessary for health, efficiency and well-being of workers." Our relationship with Puerto Rico then was such that the Act applied there also. Yet the Act led to such confusion and distress among Puerto Rican workers that they were later exempted from the 25¢ minimum wage which had been set nationally. Why? If the purpose of the law was to improve living standards, why discriminate against workers who were obviously much lower paid than those on the continent?

Although Puerto Rico has since gained a large measure of self-government, some of its laws still originate in Washington. This was true of the recent provision for a minimum wage of $1.00 per hour. Therefore, Congress discussed its likely consequences in Puerto Rico. A detail of congressmen visited the island to investigate. There was concern that the law, if applied in Puerto Rico, would lead to increased unemployment there.* In this country, Director

*According to one estimate, unemployment in Puerto Rico amounts to about 16 per cent of the working force. Perhaps the legal minimum wage is already too high for the market. Compare, for instance, the estimated percentages of unemployed in the U. S. labor force during the Great Depression.

1930 — 7.8%	1934 — 20.2%
1931 — 16.3	1935 — 18.4
1932 — 24.9	1936 — 14.5
1933 — 25.1	1937 — 12.0
	1938 — 18.8

Miss Bien is a member of the staff of the Foundation for Economic Education.

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Joseph Monserrat, of the New York Office of the Puerto Rican Department of Labor, warned that the flat 25¢ minimum wage rate enacted in 1938 "did create unemployment."

The version of the law finally approved by the Puerto Rican House of Representatives raised the legal minimum wage for the island's garment workers from 70¢ an hour to $1.00. David Dubinsky, president of the International Ladies Garment Workers Union, was interested in this development; for his union had organized one group of the island's garment workers, the brassiere makers. Their pay then averaged about 80¢ an hour. Mr. Dubinsky feared that the $1.00 minimum wage, if it were enforced, would mean unemployment for many of the members of his union in Puerto Rico. According to newspaper reports of a meeting of the ILGWU last May he charged that Puerto Rican legislators were trying to "play a trick on us by giving us for political reasons a high minimum in brassieres and later blaming it on Dubinsky and the ILGWU that the workers are starving and have no work."

Apparently, Mr. Dubinsky was not alone in recognizing the potential threat inherent in a legal minimum wage set higher than the market could afford. The Governor of Puerto Rico, Luis Muñoz Marin, later reported to the ILGWU that the island's Legislature had decided to exclude brassiere makers from the new legal minimum wage.

These men, who feared the effects of a legal minimum wage set higher than the Puerto Rico economy warranted, were recognizing a simple economic principle. Goods or services, priced higher than demand justifies, will not find a buyer on a free market. Any retail merchant knows the truth of this statement. Experience with agricultural price supports should have taught our government officials by now the inexorability with which this principle operates. The theory applies in the same way, whether one is dealing with the price of wheat, cotton, butter, or an hour of a man's labor. If the seller will not, or cannot because the law forbids it, adjust his price in accordance with the demand, he faces the prospect of "unemployment" for his wheat, cotton, butter, or labor.

A seller is entitled to the price a consumer is willing to pay for what he offers. A worker, who is the seller of his own labor, is entitled to the wage an employer is willing to pay. For practical reasons, the employer is usually guided, in deciding how much he can pay, by his estimate of the

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price consumers will pay for the worker's product. The market price of the worker's contribution will vary with the constantly changing structure of the market. Consequently, any attempt to set the rate by law will sooner or later lead to discrepancies in the pricing system and to distortion of the pattern of production.

A legal minimum wage rate set lower than the market rate has no significance, aside from the expense of legislating and setting up a bureaucracy for its "enforcement."

If a minimum wage rate is set higher than the market rate, it hurts the very persons it is designed to help — the lowest producers, and hence the lowest earners. The first to be fired, when a new minimum wage rate is set, are those who cannot contribute enough to the market to cover the cost of their wage. No employer can afford to retain such employees for long, lest his expenses exceed his intake, forcing him out of business. If the law causes an entrepreneur to close his doors, not only the poorest earners but also all other workers in the enterprise lose their jobs. The whole economy is poorer, as well, for there is less production offered on the market.

A minimum wage rate which coincides exactly with the market rate does neither "good" nor "harm," so long as the market rate remains the same. But changes are constantly taking place in this world of acting human beings. It is inevitable, therefore, that the wage the market determines must sooner or later depart from a wage set by law, even if the two should happen to coincide temporarily. The legally determined wage, then, will be either below the market, and hence meaningless, or above the market, and hence a cause of unemployment.

When men are dissatisfied with the workings of the market, they sometimes pass laws to try to change the way it functions. Their best intentioned legislation, however, may prove harmful to the very individuals they want to help.

Modern politicians, who try to legislate high wages, should realize that such laws help cause unemployment among the workers "covered." It is a basic economic truth that goods or services priced higher than the market warrants must inevitably remain unemployed. Both Mr. Dubinsky and the Puerto Rican legislators, in opposing the increased minimum wage rate for the island's brassiere makers, were acknowledging a fundamental economic truth.

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Luxuries into Necessities

Ludwig von Mises

WHAT was once a luxury becomes in the course of time a necessity.

There was in the past a considerable time lag between the emergence of something unheard of before and its becoming an article of everybody's use. It sometimes took many centuries until an innovation was generally accepted, at least within the orbit of Western civilization. Think of the slow popularization of the use of forks, of soap, of handkerchiefs, and of a great variety of other things.

From its beginnings capitalism displayed the tendency to shorten this time lag and finally to eliminate it almost entirely. This is not a merely accidental feature of capitalistic production; it is inherent in its very nature. Capitalism is essentially mass production for the satisfaction of the wants of the masses. Its characteristic mark is big scale production by big business. For big business there cannot be any question of producing limited quantities for the sole satisfaction of a small élite. The bigger big business becomes, the more and the quicker it makes accessible to the whole people the new achievements of technology.

Centuries passed away before the fork turned from an implement of effeminate weaklings into a utensil of all people. The evolution of the motor car from a plaything of wealthy idlers into a universally used means of transportation still required more than twenty years. But nylon stockings became, in this country, an article of every woman's wear within hardly more than two or three years. There was practically no period in which the enjoyment of such innovations as television or the products of the frozen food industry was restricted to a small minority.

The disciples of Marx are anxious to describe in their textbooks the "unspeakable horrors of capitalism" which, as their master has prognosticated, results "with the inexorability of a law of nature" in the progressing impoverishment of the "masses." Their prejudices prevent them from noticing the fact that capitalism tends, by the instrumentality of big-scale production, to wipe out the striking contrast between the mode of life of a fortunate élite and that of the rest of a nation.

From the Spring 1956 *Newsletter* of the New York University Graduate School of Business Administration.

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Why Wages Rise:

6. THE LUBRICANT FOR EXCHANGE

F. A. Harper

In the market we find persons trading the fruits of their special abilities with one another. Each does whatever economic task he can do best. He creates a surplus beyond his own needs. He then trades this with others who are in a similar position of surplus, having things he wants. So by trading rather than by working harder, both sides of the exchange greatly increase the satisfaction of their wants. Human differences can in this way be made to yield a more bounteous living for every participant. That was the theme of the previous article in this series.

Yet there is another important aspect of trading to be considered, too. It involves an aid to trade, without which our high and rising wages would not be possible.

TWO MEN living in an isolated society of their own will find the trading of their specialties easy to arrange and to carry out. All they need do is meet and arrive at the terms of the trade, and then make the physical transfer of the goods. The magnet of mutual benefit draws them together for a deal.

From being a simple matter in this society of only two persons, the process of direct trading of goods for goods becomes increasingly difficult, if not impossible, when the number increases to three, then four, and eventually to two billion persons.

Let me illustrate. I enjoy tea. Yet I know not a single person who produces any. And even if I did know someone, perhaps he would not want what I have for sale. Most likely he has no appetite whatever for words from my pen, for instance. So the two of us cannot trade our products directly. The difference between what we produce and what each wants causes a sort of friction that precludes a trade. So our offerings will not move in trade until an alternative outlet — perhaps involving a sort of lubricant to remove this friction — can be found.

Now suppose a third party who has sugar for sale wants to buy some of my written words. And suppose the tea producer wants

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sugar. Now we have a sort of lubricant that will let all three products move in trade. The sugar man trades me his sugar for my words; then I trade the sugar with the tea producer for his tea. Everybody thus obtains what he wants, whereas previously we had been unable to do so.

Money Enters Trade

If the third man had entered the market with money instead of with sugar, the trade would have been even easier to arrange. With money acceptable to all, the man with the money could have traded with either of us initially, whichever was the most convenient for any reason. He could have bought my words; then, with the money, I could have bought the tea. Or he could have first bought the tea; then he and I could have traded tea for words.

This, in essence, is the function of money. It serves as a lubricant in exchange — a medium of exchange. Persons who do not want it for itself alone will accept it as an intermediate step to getting what they want in the trading process. Serving in a sense like a lubricant in a motor, money facilitates the movement of other things in exchange without itself being consumed or even wanted for consumption. Money does not serve as the end product in the satisfaction of human wants — except perhaps for the miser who may hoard some and gloat over its possession as one would prize a picture or an antique. In which case, the miser holds some of it as a commodity rather than as money per se, and to that extent it is no longer money.

In the earlier illustration where the sugar man entered trade, the sugar itself served temporarily as money and thereafter reverted to a commodity. It came to rest with the tea man for purposes of being consumed. This illustrates how it is possible for a "money commodity" to serve either one or the other of these two functions, at different times and places.

Had I for any reason doubted that the sugar would be acceptable to someone who had tea for sale, the sugar could not have served to lubricate the trade. It was necessary for me to accept its acceptability by others whose products I wanted, else I would have refused it in trade for purposes of money. So for anything to be accepted and to serve as money, the decision is not restricted to the desire for it by only one person. It is unlike strawberries which one person may prize whether any other person likes them or not. For anything to serve as money, it must enjoy a multiple acceptance; otherwise it cannot perform the

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task of money. And the wider its acceptance, the better it will serve as a lubricant for trade.

A Great Invention

Money is perhaps the greatest economic invention of all time. It lubricates the vast economic mechanism of trade which could not operate without it. It allows a deal to be made between persons unknown to each other, because of distance or some other reason.

By using money, the two persons don't need to find each other directly. Instead, every producer puts his goods and services into a vast stream of trade, getting money in return. Then he puts the money back into the market to get what he really wants.

The producer does not know — nor does he care, really — to whom his product goes for consumption. Neither does he know nor care who produced the item he consumes or uses. It is all done behind the curtain of money exchanges in a trading economy. The only person who need be contacted is the one person at the point of trading contact. And even this can be quite impersonal. Witness, for instance, the unknown sources of all the things in a department store, or in a mail order catalog.

That is why money is such a great invention. That is why it serves so efficiently as a lubricant for exchanging the specialties of production all over the world, between widely separated persons in remote locations. The Yukon fur draped over the shoulders of a Park Avenue lady, or a mahogany table in the home of a wheat farmer in some remote part of Canada, can be explained only as an accomplishment made possible by money.

A great advantage of money, so far as wage earners are concerned, is that it is a device that reduces all alternative offerings of employment to one common denominator of expression — the money wages of the various job offerings. Comparison is then much easier than if the pay offer were in one case a certain number of bushels of wheat, in another some shoes, and the like.

Different Moneys

The more people accept one money the world over, the better that money will lubricate trade. Ideally there would be but one money enjoying universal acceptance. Then all trade could pass through one medium. And in this way, goods and services produced in abundance as specialties all over the world could, so far as money is concerned, enjoy the widest possible access to those who want them.

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All sorts of things have served as money in exchange — such as cattle, shells, silver, gold, copper, aluminum, paper. In Europe during World War II, nylon hose and cigarettes became important as money.

But it is not relevant to this discussion to wonder why different things have served as money. It is sufficient to note that separate and competing monies will continue until and unless the "ideal money" is found; until and unless something gains enough common acceptance and understanding so that nobody can adulterate its use and destroy its usefulness as money; until and unless neither politician nor any other person can gain the power to tamper with money for his personal gain.

Adulterating the Lubricant

For purposes of our present problem, we shall only observe that we operate with an imperfect money system. We do not now have an ideal money, nor are we even threatened with this blessing for the foreseeable future. And so it is important to note the effect on wages of an imperfect lubricant of exchange, which we now have.

When you accept money in trade, you are proceeding on faith in it as a sort of implied contract. The implied contract is this: When you trade something for money as an intermediate step to getting what you eventually want in exchange, you are operating on the assumption that the money will serve your intent rather than thwart it.

Let us say, for instance, that you accept money as an intermediate step between your bushel of wheat and the two bushels of corn you want. You might have traded direct, but you preferred to use money as a go-between. So you sell the wheat for two dollars in money; then you buy the corn for one dollar a bushel, or two dollars for the two bushels. While the money was in your possession, it was your expectation that nothing would be done to money to alter its worth in terms of the wheat or the corn. So far as the money is concerned, you expect it to retain worth in exchange equivalent to one bushel of wheat or two bushels of corn. That is the nature of the contract implied in one's use of money *as money*. Your use of it is not for the purpose of speculating in the worth of money per se.

Yet the worth of a unit of our present money is subject to constant change. Under inflation it becomes worth less — prices rise — unless there are offsetting influences to be ignored here.

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In the illustration, if there is inflation the two dollars you received for your wheat would lose some of its worth while you held the money, and would then buy less than the full two bushels of corn that you had presumed to be its worth under the implied contract. You still have the two dollars, of course, but as a result of inflation the corn has risen above one dollar a bushel. Through no overt act of your own, you lose some of the worth of your property. So would everyone else who was then holding money or money claims.

Who would gain, if all these persons lose? The gains go to the diluters of the money — a counterfeiter, perhaps, or the government, either by a direct act of its own or by a grant of permit to someone. They gain by getting some money without producing anything in the usual sense; by getting something for nothing while the sufferers lose some worth of their money and money claims. Then as a consequence of inflation, various other persons gain or lose through effects that alter the essence of all sorts of contractual deals.

Inflation and Wages

Inflation affects wage earners directly in two principal ways:

First, since the wage earner gets essentially all his income as a money income, his money then loses worth. His pay will lose worth while he keeps it as money or in the form of some money equivalent. Even while he holds his pay check it loses worth, though this is an insignificant amount of loss for those who spend their pay quickly. Only in a panic stage of inflation, like that of Germany in 1923 or of China in the mid-forties, can it be much of a factor while one holds a pay check for a day or two. In China, for instance, when money was said to lose half its worth every two weeks, the loss would be a few per cent by one who held his pay check one day.

Second, it affects the worth of his pension funds, his life insurance, his bonds, and other such forms of savings that are money contracts. Their loss of worth can be extremely serious, both in degree and in timing. It can become serious in degree because of the cumulative effect of continuing inflation. If a dollar loses 10 per cent of its worth each year as compared with the previous year, there will remain only twelve cents of its worth at the end of twenty years.

But more important than either of these, in a sense, is the illusion of welfare that inflation creates. This can lead to serious conse-

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quences. Whenever a person is less well off than he thinks he is, he is likely to be headed for considerable trouble.

For instance, a wage of eight dollars an hour, after the twenty years of inflation at the rate of 10 per cent each year, is no better than a dollar an hour without the inflation. If one is fooled by this and raises his level of living from one to eight, or to four, or even to a 1.01, he will be living beyond his means.

Inflation also seriously affects such things as wage contracts extending into the future. Insofar as inflation alters the implied contract assumed by those who hold money — namely, that it will continue of equal worth — its violation also becomes reflected in every monetary contract like a wage contract. As the worth of money is reduced by inflation, the burden of a contracted wage rate is also reduced. This violates, in a sense, the implication in the contract when it was negotiated. To protect against this, some wage contracts are being designed to include an increase to take care of assumed inflation. Inflation thus becomes a legally vested interest in contract form, throwing the weight of sentiment on the side of continuing the inflation. Can inflation ever be stopped that way?

The Clipped Dollars

Over a period of years, money wages in the United States have risen for two reasons — (1) increased production, in which wages have shared, and (2) inflation. The first adds buying power. But the second is an illusory gain because inflation merely adds more dollars of less buying power. And the extent of the inflation illusion has been great.

Suppose, for instance, that a man now due to retire at age 65 began work when he was 20. And suppose, to simplify our problem, he had never advanced in skills beyond swimming with the tide of the over-all increase in productivity, so that his wage went with the average for all private employment during the period. His money wage per hour now would be more than seven times what it was in 1910. Had there been no inflation, however, his wage would presumably have risen to a little less than three times what it was in 1910, not seven times.

Or if we compare his present wage with that of a quarter century ago, it is now two and one-half times as high as it was then. Considerably more than half of this rise has been an illusory wage increase of inflation, reducing the worth of the dollar.

So for nearly half a century now, inflation has put more dol-

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lars into the pay check than have come from increased productivity. Inflation is not real dollars in the sense of buying power, like the ones arising from increased productivity. They seem nice to have, and they look exactly like the other dollars. But these added dollars really buy nothing, as against having avoided inflation with its addition of worthless dollars that go into the pay check.

Inflation, then, does not raise real wages. It only creates the illusion of rising wages.

Though somewhat beyond the scope of this article, it should be observed that the government controls money. It is therefore government which inflates the money, or allows it to be inflated under controls such as the monetary standard, the reserve requirements, and interest rates. And so, in this sense, government must be held responsible for creating the illusory wage rate which accompanies inflation.

My final point is to suggest the disaster that would come upon us if, through inflation and deflation, the efficiency of the lubricant for exchange should be retarded, or the money system destroyed. What if violent changes should turn money from a lubricant into an object of speculation? For when persons hoard money in anticipation that it will gain worth, or avoid it because of anticipation that it will lose worth, this miraculous lubricant cannot do its work. Then catastrophe would be upon our highly geared economy. Then the usual progress which causes real wages to rise could no longer operate, until and unless a new lubricant were found and installed.

We are interested here in why wages rise, in a real sense rather than in an illusory sense. It behooves all of us who want continued progress, therefore, to become greatly concerned about this threat of inflation. This means searching out the underlying cause of why governments either want to inflate money or feel impelled to do so; then correcting the cause.

OF ALL THE CONTRIVANCES for cheating the laboring classes of mankind, none has been more effective than that which deludes them with paper money.

DANIEL WEBSTER

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Cabbages or Commissars?

Hart Buck

Mr. Buck, statistician of the Toronto-Dominion Bank, offered this fanciful contrast between political and economic methods in a Rotary Club address, July 25, 1955.

THE FOUNDATION of economics lies in our freedom to choose between alternatives. Shall I have lunch at home where it's cool or go to the Club? Shall I have coffee or tea? Shall I buy cabbages or parsnips for dinner? Every minute of every day we find a situation where we can have either A or B, but not both.

It may not matter a hoot how we choose between cabbages and parsnips; but if we accept liberty as the highest human value, indispensable to the pursuit of happiness, it is important that we should be free to choose the vegetable we want. Whether we do choose parsnips rather than cabbages will depend on two things: how much we actually prefer parsnips to cabbages, and how much easier it is to grow one instead of the other. Our choice would depend, in other words, on demand and supply. We may find, for instance, that there are many more cabbages to be had on the market than there are parsnips and, despite a mild preference for parsnips, may settle for a good head of cabbage. Or again, we might prefer parsnips so much that we would take them even if they had to be flown across the ocean while cabbages rotted on the ground in our own township.

If enough of us prefer parsnips to cabbages, this will influence the decisions of farmers. When they acquire new land they will be inclined to choose parsnip-land instead of cabbage-land; when they get new machinery they will tend away from cabbage-machines toward parsnip-machines, to the extent that they are free to do so. The end result will be that partisans of parsnips and of cabbages each will get what he wants. There will eventually be plenty of both to go around if everybody concerned is free to choose between them.

SPEAKING GENERALLY, the upshot of economic thought is that we can get maximum values, as embodied in cabbages and parsnips and everything else we want, if only we leave the market open.

Perhaps to some minds a more

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acceptable alternative might be an official Cabbage Planning Board, established by Act of the Legislature. Imagine the Board taking censuses and surveys, to discover how many cabbages folks wanted to eat, and how many acres of land and tons of fertilizer and units of machinery and man-hours of work their cultivation would call for, and how much all these would cost at current prices! One single directing brain would assume the burden of deciding how many tons of cabbage would get eaten week by week.

Even granting our Cabbage Commissar to be such a devoted public servant that a pile of mink coats would never bury his civic virtue, we may guess that he would adjust his margins for error in favor of too many rather than too few cabbages. Not even the least fortunate of his fellow men should forego such a rich repository of vitamins, calories, minerals, and values of that kind! At the same time, he could hardly avoid pegging the price of cabbages. Otherwise, some farmers might say that the wretched things cost too much to grow. Next our Commissar would have to see that surplus domestic cabbages got marketed abroad, and to stem the flow of cabbages from other places. In due course, since at the pegged price for cabbages some lukewarm cabbage-eaters might turn to parsnips instead, the poor fellow might desperately seek authority to expand into a Cabbage and Parsnip Control Board.

We might decide after all this that a more efficient method for planning the output of our vegetables — as in the case of everything else — is simply to leave the planning to the people who grow them and eat them.

When Government Takes Over

WHEN A GOVERNMENT takes over a people's economic life it becomes absolute, and when it has become absolute it destroys the arts, the minds, the liberties and the meaning of the people it governs . . . . Men who are fed by their government will soon be driven down to the status of slaves or cattle.

MAXWELL ANDERSON, *The Guaranteed Life*

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Our Principles of Freedom Must Stand

E. Smythe Gambrell

Concerning the importance of limitations upon the powers of government.

FOR 300 YEARS the American people have cherished the spiritual concept that the rights of man to freedom are personal to him from the Creator, not from the State. It was written in our Declaration of Independence. This concept, to the extent that we have followed it, has guided us not only to a life of human dignity, but to material abundance.

The great truths of humanity do not spring newborn to each new generation. They emerge from long experience. They are the gathered wisdom of the ages. They are renewed in times of conflict and danger. In this sense, the current challenge to our political institutions may prove to be a kind of blessing in disguise. If the times in which we are now living do not bring a further understanding of the great traditions of our civilization and a deeper desire to affirm them, we are not worthy of our heritage.

The American creed is premised upon a simple belief: that each human being is a creature of God and endowed by Him with the dignity of individuality. Each must be free to shape his own integrity and to seek his own destiny. It follows that he may not be treated as a statistic on an economic or sociological chart. Respecting this right of the individual man to realize his own potential, we have pledged ourselves in the most solemn compacts of government to allow to our fellows the greatest freedom of choice possible in the exigencies of living together.

Where choice must be limited to preserve the freedom of others, we have sought to assure that each shall have the greatest possible voice in making the collective decisions that will control his life, by keeping the powers of government as close as circumstances will permit to those subjected to

Mr. Gambrell, of Atlanta, Georgia, is President of the American Bar Association during 1955-1956. This article is based upon his address before the Georgia Bar Association, December 8, 1955, in Atlanta.

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the power. We have chosen to erect the structures of government in the belief that no national government should do what the states can do, that no state should do what the local government can do, and that no government should do what a man can do for himself. The movement for home rule for municipalities, the concern for states' rights, and the demand for limitations of the federal treaty power, all are variations on this persistent theme — that government should not be removed from the hands of the governed, that choices which must be made collectively and not individually should be made by the smallest feasible group according to its own needs.

It is almost trite to observe once more that these principles were enshrined in the Constitution by the wise men who gathered to lay the foundations for the government under which freedom has flourished and our people have prospered. The central government was to be entrusted with limited and specifically delegated powers. Only those matters that required uniform treatment, only those problems that demanded a national solution, were delivered up to the centralized power.

The great catalog of human liberties contained in the first ten amendments to the Constitution endeavored to transmute the dignity of man into a living reality. In the turmoil of our time several of these inalienable rights have been brought to the forefront of our national conscience. Freedom of speech and of the press, the right to assemble peaceably and the privilege against self-incrimination have all found their stanch and vocal advocates. We have heard much of the first eight amendments; but in the clamor of controversy over these, our people seem to have suffered from a mass amnesia concerning the ninth and tenth amendments.

A POWER most frequently and most flagrantly abused in the circumvention of the limitations on the federal government is the power of taxation. Only by the most elaborate and disingenuous pretense can we maintain that many so-called taxes have any relation to supplying revenues for the legitimate operations of government. Still our courts have replied that if an exaction appears on its face to be a tax, we must close our eyes to its motive. To me, the gravest of the threats to American ideals is presented by the inordinate and pervasive power of the purse, the power of bounty, the power to spend. Tax collections far exceed the legiti-

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mate costs of operating the federal government within its delegated bounds.

Government by largesse has begotten a centralized authority of monstrous proportions, and it has at the same time broken down the fundamental design within that central government for forestalling the corruption of absolute power. The doctrine of separation of powers, the system of checks and balances, teaches that neither the legislature nor the executive should be servile to the other. It was our plan that the legislative branch, representative of and responsive to the popular will, would formulate policies which the executive would put into effect. But through the power of patronage, the plums of public works, and the bounties of benevolent paternalism, the legislature has been brought to heel. Too often the executive has determined the national policy, and at best the legislature has become a censor of his programs, and at worst, a rubber stamp. Ironic though it may be, the powers by which the administrator has brought down the legislator were conferred by that same legislator.

At the same time, the powers constitutionally reserved to the states have been gradually usurped through this power to disburse, through what are euphemistically referred to as "grants-in-aid." Under more than 40 separate programs, the governments of the states have been offered the bounty of the Federal Treasury in return for the surrender of their constitutional rights to provide for the interests of their peoples. It is an affront to the dignity of the states, and in contempt of the principles of the federal system, to assume the states to be incompetent to handle their own affairs. And the notion that the central government is somehow providing aid when it drains the sources of tax revenue and doles out a minor share to the states upon bureaucratic conditions is a mischievous fiction. A government is not a productive enterprise — it does not create wealth, it does not contribute to the sum total of economic goods. If there is a single well to fill a community's needs for water, the man who drains it dry and then distributes the water to his fellows upon conditions he chooses to lay down is not providing aid to his neighbors. Recognizing this simple truth, the Legislature of the State of Indiana in 1947 resolved:

> We have decided that there is no such thing as Federal aid. We know that there is no wealth to tax that is not already within the boundaries of the 48 States. So we propose henceforth to tax ourselves and take care of ourselves. We are fed up with subsidies, doles, and paternalism.

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Ideally, each person, or more accurately each family, should control the spending of what it has earned. In the long run, no one else can comprehend as well the family's needs and aspirations, and no one can see to it that the fruits of their labor are put to better use. Responsibility for earning begets responsibility in spending. The further the power to spend is removed from the person whose toil and sweat created the power, the greater the likelihood of economic waste, to the detriment of our common standard of living and to the benefit of no one. The concentration of vast wealth in the hands of a remote and centralized government penalizes thrift and encourages waste. The money is there to be spent, the thinking runs, and unless we get our share, someone else will. A community which would reject out of hand a proposal that a public building should be financed by voluntary contributions or by a tax laid by the townspeople upon themselves will nevertheless clamor for federal funds for the purpose. It is difficult to respect money that has come from someone else's pocket.

Today there are still uncharted frontiers — physical, spiritual, and intellectual — standing as our constant challenge. We may well lose our will and our ability to cope with these challenges if we develop and accept the habit of being satisfied with the meager crumbs of material security which some form of benevolent government would dole out to us. To the extent that we permit ourselves to be so dependent upon government that we can no longer think or achieve on our own — dependent on government for those things which traditionally we have provided for ourselves — we defeat the very meaning of democracy and permit government to rule rather than to serve the individual. By every step we take toward making the government caretaker of our lives, we move toward making it our master.

LET US NOT FALL into the error of thinking that the outcome of the struggle between communism and freedom will be determined by military and economic power alone. The greater war is the war of ideas, a spiritual war of moral and religious values. In this war we must deal with the minds and hearts of men and women and demonstrate to them the blessings and satisfactions that come from freedom. They must learn that man is not a slave of the State but that the State is his servant.

Liberal education is the keystone of freedom. The search for truth is, as it has always been,

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the noblest experience of the human spirit. We are false to ourselves and to our best instincts if we turn our backs on truth or close our eyes when it beckons.

But the recent White House Conference on Education troubles me. Well intentioned, no doubt, it poses a serious threat to democracy and freedom. Although we may have great respect and genuine affection for the present occupant of the White House, we should remember that changes do take place; and we should ponder well the lessons to be learned from Hitler's complete domination of the German people through the perversion of education.

History teaches that liberties are seldom lost in a frontal attack leveled against them. The threat lies not in open challenge, but in apathy and complacency. Unused, our great freedoms may atrophy and weaken, and their enemies, through cunning propaganda and small but constant steps, may overtake us unaware. We should not be so much concerned, then, about the danger to those liberties for which the defense has already been rallied. But there are other principles, no less basic to our form of government, which have been largely ignored.

We have submitted more and more in recent years to governmental control of the pursuit of our livelihoods. We look more and more to government to satisfy our every want and need. And we are relinquishing the precious right of a man to make those choices which, if he is to be a man, he must make for himself. The right of man to be let alone has been relegated to a lower order in the scale of our common values. But it is a fundamental article of our national faith that we shall not destroy the ancient landmarks in our effort to accommodate the demands for government authority to cope with modern needs. Our principles of freedom must stand as fixed and immovable monuments above the ebb and flow of the currents of change. Paramount and above all other considerations, we must channel the flow of progress within the order and limits of the law; the bulwark of the rule of law must hold firm.

I DO NOT MEAN to paint the picture too darkly. The people of America still enjoy a degree of liberty unsurpassed among the nations of the world, and they share a material abundance unknown to the past. There are signs of a returning sense of responsibility and of a renewed respect for principle in the federal administration and among the leaders of both great political parties.

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But we can glean small comfort when we recall how easily and how quickly the basic propositions of government gave way in the recent past. The teachings of experience are plain. Our hopes are futile if we entrust our liberties to the written word alone; the Constitution alone is not our salvation. Nor can the courts forever stem the tide. It has fallen to the lawyers, trained in the traditions of government of law and imbued with its spirit, to preserve for all the world the light of human liberty, set with such shining promise by our forebears. We must not only reaffirm our faith in the social and moral order which has made us a great nation, but we must go out and implement that faith with action. As Thomas Paine said: "Those who expect to reap the blessings of freedom must, like men, undergo the fatigue of supporting it."

The Cornerstone of Freedom

PARLIAMENT'S CONTROL of the purse is the cornerstone of English freedom. To quote from the Parliamentary Debates of 1892:

"It is one of the old standing principles of our Constitution that the House of Commons should control the finances of the country. That is the right, privilege, and duty of the House. It has been achieved by means of struggles lasting through centuries, beginning from the fourteenth century down to the seventeenth century, when it was fully confirmed, and since then it has never been practically disputed."

An important factor which helped Parliament attain control of revenues was the lack of a highly organized centralized bureaucracy in Stuart England and the lack of a standing army. Because of the absence of such a bureaucracy, the Crown administered justice and collected revenues through local nobles and squires. They were more loyal to their neighbors than to the Crown. With those who collected the revenues and administered justice being responsive to neighborhood pressures and with no standing army to back them up, they could collect revenues for the King only with the consent of those who were taxed. Out of this arose the practice of the King's convening Parliament whenever he needed funds and asking them to grant the funds. Parliament, which represented the nobles, landed gentry, and city merchants, used these occasions to present their grievances to the King and demand redress for them in return for granting funds.

THOMAS PHELAN,
The Liberal in the Modern World

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Adequate Definition

George Schwartz

ONE OF THE TASKS imposed on the Committee of Inquiry into the cost of the National Health Service was to advise how, in view of the burdens on the Exchequer, a rising charge upon it could be avoided while providing for the maintenance of an adequate service.

The term adequate is a boss word in the draft of any legislation setting up a public service. It is stipulated not only that the particular service should be economic, efficient, and properly co-ordinated, but also that it should be adequate.

In the report of the committee referred to above, consideration is given to the term "adequate service," and after a few hums and haws and a doubt whether it was possible to attach any specific meaning to the term, the committee proceeded on the assumption that it had to work without any objective and attainable standard of adequacy as a criterion.

I think I can save the time of subsequent committees or commissions by pointing out that in the popular sense of the term — and it has no other sense — no service is adequate or ever will be.

Thus in this sense I can confidently assert that the Armed Services of this country are inadequate, the educational facilities are inadequate, the bus services are inadequate, the roads are inadequate, housing is inadequate, the Library of the British Museum is inadequate, and the rewards to professional writers on economic topics grossly inadequate. If a plebiscite were taken, it would be revealed by a 99.8 per cent vote that the standard of living in this country is inadequate.

What is an adequate bus service? As far as I am concerned — and who has a better right to speak in the matter? — it is one that pulls up outside my door just when I want it. No, cancel that. Pulls up two doors away so that discarded tickets and other rubbish do not litter my pavement. The bus would then proceed to my destination without stopping to pick up old ladies and other people who ought to stop indoors. In short, I ought to have the private-car chauffeur service for which, absurdly enough, my income is inadequate. At the present time the

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traveling public in London is getting more service than it is paying for, but it is unanimous in agreeing that the service is inadequate.

With forty children in many classes the educational facilities of this country are clearly inadequate. But if you are an enthusiast for education, you would say the same about thirty in a class, twenty, even ten. If you were rich enough, you would have a couple of private tutors for a family of four and then think you were only just doing the right thing for your offspring.

If the Navy, Army, and Air Force were doubled in strength, we should be nearer to adequacy in defense. There seem to be a lot of homes in this country without a separate nursery and playroom for the children, a study for father, and an exclusive withdrawal room for mother where she can get away from it all for half an hour. Sheer inadequacy.

My knowledgeable friends tell me that the collections at the National Gallery and the Tate are inadequate. I understand there is not a duplicate for every book in the Library of the British Museum, an elementary precaution on any test of adequacy. One or two people I met last week tried to persuade me that the plumbing of this country is inadequate, and I hear talk that the supply of one shilling articles selling at sixpence is universally inadequate. And so I could go on if the space at my disposal were not inadequate.

The remarkable thing is that an observer from India would pronounce our Health Service, educational facilities, and bus services as fabulously lavish. Many inhabitants of China would regard our housing as palatial, and indeed the bulk of Asia now thinks grimly and sourly of the West as a fund of surplus on which it is entitled to draw. It's no good pleading inadequacy at home to those fellows.

The Committee on the Health Service wisely concluded that the aim must be to provide the best service possible within the limits of the available resources. Well, whether you aim at that or not, that's all you can get in the matter of health, education, defense, and all things taken in the lump. True, at this juncture the country is getting 2 or 3 per cent more than it is providing out of its available resources of effort, but that is why the gold and dollar reserves have been running down and why there is all this talk of a crisis. Adequacy is not a lofty ideal but the reality you earn and pay for.

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To Gain Respect

Spruille Braden

Our government aid to other nations may put them in the almshouse along with us.

WE MUST both merit and demand respect if we are to successfully conduct our diplomatic and other foreign relations.

A distinguished and experienced diplomat used to say: "It is all to the good if the American Ambassador is liked; but it is much more important that he be respected."

While respect, according to the circumstances, may sometimes have a connotation of fear, it far oftener evidences friendship. Also, as respect engenders friendship, so its absence will, in the end, destroy both confidence and friendship.

Before going any further, I should make my meaning clear by quoting Noah Webster's definition of respect: "to consider worthy of esteem, to regard or treat with honor, deference or the like; value . . .; to refrain from intruding upon or interfering with, as to respect a person's privacy."

Of one thing we may be sure; respect never can be bought. The mere attempt to do so can only breed disdain and irritation. Yet, that is precisely what we have been trying to do for many years.

Since 1946, after the end of World War II, we have given away upwards of $41 billion in outright grants to foreign nations, and disbursed almost $14 billion in credits. (Their eventual repayment is, to say the least, questionable.) The total of our handouts abroad is $55.5 billion. By this lavish generosity, we have gained neither respect nor friends. On the contrary, I believe it is apparent to anyone that we have lost both.

In order to approach this matter intelligently, we must first be able to comprehend what are $55 billion. When I add the assessed valuation of all of the property, real and otherwise, in the 13 biggest cities of this country — New York, Chicago, Philadelphia, Los Angeles, Detroit, Baltimore, Cleveland, St. Louis, Washington, San Francisco, Boston, Houston, and Pittsburgh — I arrive at a

The Honorable Spruille Braden, veteran diplomat, former Ambassador to Argentina, Cuba, and Colombia; also Assistant Secretary of State.

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grand total of just over $55 billion.

We would be appalled by the mere suggestion that these 13 cities, if it were possible, be shipped overseas as gifts to foreign nations. Yet, we have done precisely that. We have ourselves given away — in effect, destroyed, as if by nuclear bombing — the equivalent of our 13 biggest cities!

THE DOLLAR LOSS and the consequent drain on us as taxpayers, at that, may not be so serious as the harm done to the morals and morale of both the recipient countries and ourselves, as donors.

Almost anywhere we look, our foreign aid programs have been extravagant, wasteful, and inefficient. Permit me to give an example: We induced Afghanistan to accept a 40-million-dollar loan from the Export-Import Bank, and to spend a very considerable sum themselves, to put in a hydroelectric power, flood control, and irrigation project for about 500,000 acres. In Afghanistan there were neither engineers to operate the project, nor agricultural experts to teach the nomads how to farm. The salt content of the lands was raised by the water from the dam to the point of ruination. The result is an economic and political crisis; and the Afghans, having lost respect for us, are turning their eyes towards their big neighbor to the north, the USSR.

The exponents of government aid say that, unless we finance dams and other public works like these, far-off peoples will continue to live in misery. At present, that is as sad as it is true. But let me tell you what may happen even as the result of a well-planned and executed project, purporting to improve living conditions. Incidentally, this was not one of our government's programs. In, I believe, the 1920's, the Sukkar barrage in Pakistan was erected to irrigate a vast area of fertile but desert land in the Province of Sind, Pakistan, with waters from the Indus River. This was to make possible the feeding of a people living on the verge of starvation. What happened? The project did everything claimed for it. But, after a few years, the population so increased that the only effect was to have a much larger number of people on the verge of starvation, instead of a small number. Does this constitute progress? Does this elicit respect?

The answer is "NO!"

I suggest that the authorities in Washington have no right to continue these "give-away" programs, when there is no assurance that even the well-planned and executed ones will not in-

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crease rather than decrease human misery.

Another aspect of this problem is that we gain neither Tito's nor anyone else's respect by giving his regime hundreds of millions of dollars. We entrench communism in Yugoslavia, thus antagonizing many of its people, and give the Soviet a greatly strengthened ally, now that Tito is again back, hand in glove with the Kremlin.

Our grants and loans inevitably constitute an intervention by us on behalf of the government in power and against the "outs" in a foreign country. This is not the best way to make friends of the latter. But our prestige suffers much more when we distribute our largesse to dictators and corrupt governments. Then we lose the respect of, and antagonize all the decent elements in the recipient countries.

IT HAS BEEN ALLEGED that in addition to the billions of dollars we have squandered so far, we must now enlarge and make permanent these so-called "foreign aid" programs; that we must "sustain our position by helping *everybody else* to realize their own aspirations and legitimate ambitions . . . ." It is said we must do so as a defense against the Soviet and the spread of communism. It is proclaimed that poverty and illiteracy breed communism and open the way to Kremlin domination, whereas industrialization and higher living standards defeat both of these evils.

These theories simply are not true. In southern Italy, where the greatest poverty and illiteracy exist, there is the least communism. In the industrialized north, with higher living standards, communism flourishes. This same condition prevails in many other countries and places.

Since the distribution of $55 billion failed so utterly to produce really worth-while benefits, why must we continue, like a drug addict, to use more of the same hashish in ever greater quantities?

The simplest answer is that an enormous bureaucracy has been set up in Washington to plan for and run foreign aid. Bureaucratic growth is an intangible but living thing. No one seems to be responsible for its malignant expansion. Yet it always acts the same, as it grows and grows like a cancer. Also, like a cancer, it is almost impossible to rid the body politic of it — and, in the end, it can kill constitutional representative government.

Through oversized and centralized government, the Washington bureaucrats are able to allot bil-

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lions of dollars of contracts, which bring handsome profits to a myriad of industries, commercial and shipping firms, and to labor. Thus, possible critics are lured into compliance and state interventionism is spread.

Heaven knows there is no virtue in bankrupting ourselves as we pour huge revenues into supporting other nations, even allowing them to reduce their own taxes at our expense. They will value this "charity of friends" at precisely nothing. Worse still, it will break their will to earn their own way and undermine their dignity. In the end, our government's dole to them will put them in the almshouse along with us.

By hard work and thrift, integrity and intelligence under the free, private, competitive enterprise system, the United States grew from a small, poor republic to its present power and economic potential. As a result, our private capital, during the last century, and especially from 1900 on, has gone abroad, bringing with it managerial and technical resources and skills. It has brought to underdeveloped areas all over the earth enormous advantages and such a development as no bureaucrats or governmental agencies ever have or ever could approach.

By returning to this system which has proven successful, we will furnish mankind with such a school that they "will learn at no other." That is the only way to recapture the respect of the world.

ON THE EVIDENCE of the experience of the past ten years, this sort of massive foreign aid by government to governments weakens the nation that gives it, without reasonably adequate gain to the country that receives it. The only mutually beneficial form of foreign aid is private investment, trade and travel: provided by the resources, skills, ambitions and charitable impulses of private individuals. The effect of government aid usually is to hamper the healthy development of private trade. . . . Its effect on foreign relations inevitably is to arouse natural hostility and antipathy. . . .

In many ways, our foreign aid program is part of the world-wide drift toward collectivism. Both to giver and taker it tends to undermine and weaken the instincts, resources and capacities of individual people and groups upon which freedom is built.

JAMES SCOTT KEMPER, Chairman,
Kemper Insurance Companies, Chicago

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The Collectivist Menace

Reginald Jebb

THE MOST potent factor in the growth of collectivism is the tendency of all governments to increase the area of their power. It is their besetting sin.

In Britain three forces have contributed in varying degrees to this growth: trade-unionism, the Labour Party, and academic Socialism.

The part played by trade-unionism has been, one might say, almost accidental. Through the first half of the nineteenth century the main struggle of the unions had been against the government. It was only in the latter half of it that the idea occurred to them of putting up candidates for election to parliament, and even then their object was not to examine political theories but to remedy industrial grievances. They did not form a separate party, but the first candidates to be elected sat as Liberals. However, during the last thirty years of the century, academic Socialism got to work, through the agency of the Fabian Society, and the seeds of collectivism were sown. The result was a decision to form a new party which would replace capitalism by state ownership; in 1902 the Labour Party came into being, the child of trade-unionism but the pupil of the Fabians.

The importance of the Labour Party in the political trends of the present century has been its role as executive of the theories of Fabianism. In order to implement their theories, socialists must get a grip on government one way or another. They may, as in Russia, set up a tyranny and put their theories into practice by force; or they may create a new party, as in England, which will introduce Socialism gradually; or again they may find it possible to convert one of the existing parties to their views; or, finally, they may indoctrinate high-ups in political and educational circles with the socialist thesis, and thus influence both the government itself and the youth of the country by the intellectual prestige that Socialism appears to have acquired. This seems to be one of the methods adopted in the United States.

The English experiment — the creation of the Labour Party — held a double advantage for the Fabians. Not only did they obtain

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a direct influence in legislation, but the fact that this vehicle of Socialism had been built by the trade unions gave it at once the appearance of being democratic and the promise of widespread support. Incidentally, its name was a triumph of propaganda, suggesting that here was a party for which all manual workers should vote.

BUT IT IS ONE THING to propagate a theory, and quite another to prove its value in practice. The Fabians had always confined themselves to theories. They had no working model, except the Soviet Union, and that in a number of ways proved unsatisfactory to them as an example of Socialism in action. Nor has the record of their executive, the Labour Party, been encouraging. The result is that their program has undergone numerous changes.

They started with the orthodox socialist thesis of state ownership of the means of production, distribution, and exchange, and argued that such was equivalent to ownership by the people, that men would work harder for what was their own, that strikes would cease, and that real wages would rise owing to the elimination of private profit. But they found that none of these admirable results followed from the nationalization of key industries. The rise in wages in recent years has been as great in industries conducted by private enterprise as in those that are nationalized, nor has there been any increase in hard work or any diminution of strikes. The explanation is simple; a number of manual workers are beginning to realize that nationalization does not mean ownership by the people. The individual worker no more owns any part of a nationalized industry than a man in a public park owns the land he is walking on, for ownership includes control and the right of disposal, neither of which the worker possesses. What nationalization does mean in most instances is financial loss which has to be borne by the taxpayer. (The National Coal Board, for example, has a deficit in the working of the mines of between 30 and 40 million pounds despite constant rises in the price of coal.) Nationalization also means the substitution of an impersonal bureaucratic control for the incentive of competitive action.

Confronted with these failures the socialist intellectuals began to look around for new ideas. Still clinging to their hopes for nationalization or state ownership, they started to lay new emphasis on two aims that had already appeared in their agenda. These

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were centralized planning and the gradual whittling away of private profit, whether from the conduct of a successful business, from dividends, or from rent.

Mr. Gaitskell, the new leader of the Labour Party, lost no time in developing these ideas. He suggested that the State should gradually take over in death duties the ownership of land, shares, or other property, and that budget surpluses should be used for the same purposes. While recognizing that some private enterprise would continue for a long time to come, he envisaged state firms competing with private firms, and the creation of mixed firms in which some of the shares would belong to the State and others to private individuals. Though new methods are to be employed, the ultimate aim is the same: the eventual elimination of privately owned property—collectivism in a state-salaried nation, with a choice between ruinous inefficiency and the communist practice of forced labor for the whole population.

MEANWHILE there has been built up over the last few years an edifice that, perhaps more than all the more direct socialistic experiments put together, will offer a home for the spread of collectivism — the so-called Welfare State. Unfortunately all the political parties are more or less committed to keeping this innovation in being. The dangers of this state-run spoon feeding of the population are clear enough: loss of personal responsibility, encouragement of idleness, a false sense of security, a brake on initiative, and the gradual reduction of professional men to the status of civil servants. But what makes the Welfare State particularly dangerous is the fact that it poses as, and by many good people is genuinely believed to be, a purely humanitarian measure. Indeed, while it is being introduced, before its costs can be clearly seen, the Welfare State may seem to yield less destitution, easier access to medical advice, wider opportunities for education, and other benefits. But these excellent things, instead of coming, as they should and could, through individual and local initiative or professional and business organization, are all part of a state regime which is wasteful, an encouragement to low quality work, and a menace to freedom.

For us, then, here in England, the Welfare State is a more significant milestone on the road to collectivism than is nationalization. The latter has been on the whole a disappointment to organized labor and can be reversed. (The present Conservative government has already returned

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road transport and the steel industry to private enterprise.) It is much more difficult for a government, even if it wished to do so, to make an end of a system that provides a large proportion of the population with many of the basic needs of life without payment. For the average man does not seek to resume irksome responsibilities from which he has been relieved until he comes to a full realization of what bondage to the State means.

To the student of politics in England, looking across the Atlantic, the people of the United States appear to have a good many advantages. There is, for example, no major party in the United States that openly espouses the collectivist theory; the unions, though now consolidated and powerful, show little signs of desiring the substitution of state ownership for private enterprise; the state governments act as a counterpoise to centralization of power in the federal government; and, generally speaking, the status of the wage earner is more satisfactory than in England.

But these advantages do not mean that the United States is free of socialist intellectuals in influential positions, whose whole aim, based on the Marxist theory of collectivist tyranny, is to undermine private ownership. These men in whatever country they exist (and what country is without them?) constitute the most dangerous threat to a free economy.

THE REAL MENACE of these intellectuals consists not so much in the instruments they use, as in the subtle way in which they spread their virus. Students, politicians, and power-addicts are easily attracted by their specious arguments for "a new enlightenment." It is from the top rather than from the bottom that the poison flows, and state officials are the most vulnerable to its effects for the reason given at the beginning of this article: the besetting sin of all governments is unlimited extension of their power.

It seems possible, therefore, judging from experience gained in England, that even in the United States, despite the advantages already mentioned, the unions and perhaps one or other of the two major political parties might be affected by the poison. If that were to happen, it would be a world-wide tragedy. For whereas in England collectivist experiments have been half-hearted and are becoming less popular, a social-economic revolution in the United States might well take a more extreme form and be disastrous to liberty all over the free world.

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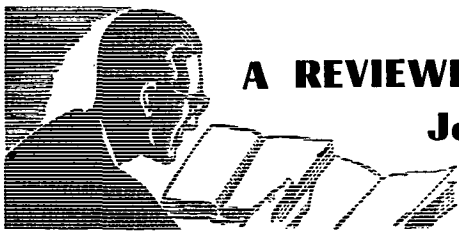

A REVIEWER'S NOTEBOOK

John Chamberlain

THE LATE Charles A. Beard was a complex and often contradictory character. While he did not invent the "economic interpretation" of history, he gave it its first great impetus in America by writing his *An Economic Interpretation of the Constitution of the United States*. That was back in 1913, the lyric year when social change was very much in the air. Two generations of historians were to take their cue from Beard's book, but in the meantime Beard himself went on to other interests. When totalitarianism appeared on the scene in Europe, he leaped eloquently to the defense of the Founding Fathers. He wrote a book to extol the checks and balances that had been built into the American system at Philadelphia in 1787, and he paid his respects to the Federalist Papers by calling them "enduring." Although he had called the Constitution an "economic document," it was quite evident that Beard ultimately came to regard it as a lot more than that.

Nevertheless, even though the moral aspects of history bulked larger and larger in his eyes as he grew older, Beard never specifically repudiated his early work. And his "disciples" still went about their business of scoffing at the fifty-five members of the Constitutional Convention for their allegedly overpowering zeal in defending their own narrow economic interests.

The Beardean thesis, stated briefly, was that the Constitution was written by a group of conspirators who wished to put limits on democracy in order to defend their own property interests in "personalty," which is the word Beard used to cover money, public securities, manufacturing, shipping, and speculative western lands. According to Beard, the laborer, the small farmer, and the back country debtor had little voice in the making of the Constitution. Nor did they play any conspicuous part in the ratifying conventions of the eleven states which accepted the reasoning and the handiwork of the Founders.

This "personalty" interpretation of the Constitution was contested by some of the original re-

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viewers of the Beard book. But in 1913 and 1914 dissenters from the Beard thesis were looked upon as prejudiced Tories. Moreover, they could not controvert Beard out of any deep researches of their own, for it was quite obvious that they had not looked into any of the sources which Beard appeared to have mastered.

SINCE NOBODY took the trouble to look things up, virtually every scholar in the land came to accept Beard's evidence as true. It was not until an associate professor of history at Michigan State University, Robert E. Brown, commenced to poke about in the Massachusetts town records of the late eighteenth century that anyone suspected Beard had misused his evidence. Brown discovered that nobody had written the truth about the so-called "debtor farmers" who supported Shays' Rebellion. In 1787 there was no large disfranchised "mass" in Massachusetts. The freehold voting qualifications were so liberal that practically every adult male could vote. The so-called Shaysites and their sympathizers completely controlled the government of Massachusetts after the election of 1787, yet they did not recall the Massachusetts delegates to the Constitutional Convention. Furthermore, they later ratified the Constitution, on the ground that it was to practically everyone's interest to do so.

Putting two and two together, Professor Brown began to suspect that if small farmers and debtors had approved the Constitution in Massachusetts, maybe the same thing had happened in other states. Accordingly, he set himself the task of checking all of Beard's "evidence" that the Constitution was the product of "personalty," not of the small freeholder.

The result of Professor Brown's completed labors is a stiff and prickly work called *Charles Beard and the Constitution: A Critical Analysis of "An Economic Interpretation of the Constitution"* (Princeton University Press, $3.50). Checking Beard, delegate by delegate, Brown discloses that if any economic interest predominated at Philadelphia in 1787, it was that of the landed proprietor, both small and large. The public securities held by the delegates were negligible in comparison with the good fat acres. "Realty" was the big thing, not "personalty." And even where men did own "personalty," they frequently owned even more "realty."

George Washington, to pick one prominent example, owned 45,000 acres of land in 1799 in addition to real estate in Washington, Al-

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exandria, Winchester, and Bath. His real estate in that year was worth $266,819; his "personalty" was worth only $25,212. Thus Washington had over 90 per cent of his wealth invested in realty and less than 10 per cent in personalty. True, these figures might have to be reduced in order to arrive at Washington's holdings for 1787, which was twelve years earlier. But even so, it is virtually certain that personalty was never a prime thing in Washington's estate.

A critic might interrupt at this juncture to argue that since real estate is "economic," then a Constitution that was written by holders of real estate must *ipso facto* be an "economic document." But Beard didn't rest his "economic interpretation" on anything that could be stretched to include all property owners, the small and middling as well as the great. If he had, he would have been compelled to admit that Jefferson, not Hamilton, prevailed in 1787. He would also have had to admit that the "masses" made the Constitution, for the "masses," in 1787, owned land.

WHERE BEARD went wrong in the first instance, according to Professor Brown, was in his assumption that the property qualification for voting in 1787 was essentially "undemocratic." In a frontier country, where land was to be had on the easiest of terms, land ownership was certainly no badge of aristocracy. Anybody could get land — and practically everybody did. As more than one delegate to the Constitutional Convention observed, at least 90 per cent of the adult white males in America were freeholders and hence voters. Moreover, in some places the artisans and mechanics also had the vote. The delegates to the Convention kept the 90 per cent rigorously in mind when they were busy figuring out a system of checks and balances that would appeal to the ratifying conventions in the predominantly agrarian states.

Far from being an "aristocratic" or "antidemocratic" document, the Constitution was a work of common sense that kept the needs of the common man very much in the foreground. A good thesis could be written to prove that the Constitution was rather consciously designed to form a bulwark for a middle class that would always comprise about 90 per cent of the people. If such a thesis would constitute an "economic interpretation," then there is nothing to be said in derogation of such. Gilbert Chesterton and Hilaire Belloc, champions of the "distributive State," would highly

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approve. Karl Marx, of course, would not.

But beyond all "economics," whether of the "realty" or the "personalty" brand, the Constitution was designed to form a stable support for the individual's "inalienable" rights. These rights naturally include the right to property, both real and personal. The Constitution is an "economic document" in the sense that it is designed to protect men in the rights of ownership. Such rights are important to life, liberty, and the pursuit of happiness. But Beard only came around to this broader view years after he had written his first controversial book.

An International Economy by GUNNAR MYRDAL. New York: Harper & Brothers. 381 pp. $6.50.

When Gunnar Myrdal was professor of political economy at Stockholm University, he expounded the doctrines of Keynes. When he was Swedish minister of commerce, he did not hesitate to impose government control over exports, imports, and foreign exchange in order to assure "full employment." Now that he is Executive Secretary of the United Nations Economic Commission for Europe it is his official function to be concerned with the destruction of international economic cooperation which is the inevitable outcome of welfare state interference with world trade. His book, *An International Economy*, is a futile attempt to solve the dilemma of contradictions between Mr. Myrdal's past and present ambitions.

He states the problem clearly. The Welfare State, which in Myrdal's terminology is the "integrated" state, "induces international disintegration." (p. 48) It leads to world-wide conflicts of interests because welfare policies of protection, favors, and privileges must discriminate against foreign goods, capital, and labor, thus destroying the world market and using it as a dumping ground for "excess supplies" of cotton, cheese, peanuts, etc., from government warehouses. In short, the Welfare State becomes the economic source of international conflict.

The obvious solution to this dilemma is a return to the free market, and to individual cooperation on the world market. But this solution, which is identical with a return to individual liberty and capitalism, is unhesitatingly rejected by Professor Myrdal. He criticizes it "as not only reactionary but also as ineffective, since it goes against an immutable historical trend." (p. 52) This immut-

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able trend, according to Myrdal, is leading mankind in the direction of the Welfare State and other forms of collectivism.

But he rejects the return to capitalism also on grounds that it leads to economic advancement on the part of the richer countries and to stagnation and poverty on the part of the poorer nations. The question "that should be pondered carefully," according to the author, is whether the Marxist analysis that the rich become richer and the poor poorer is not correct as far as the international scene is concerned.

Professor Myrdal's positive solution to the problem of world market disintegration is the international extension of the welfare state idea. National policies must be coordinated so that "disturbing influences on national welfare are eliminated." Wealth must be redistributed not only on a national basis, but also from the wealthy nations to those in the underdeveloped areas of the world. Just as Welfare States tax the rich, who naturally lose the power of disposal and employment of their tax payments, so should the world community tax the wealthy nations and employ the funds, coming mainly from the U.S.A., as the world government sees fit. Once we have become "loyal world citizens" we are said to be ready for this "fairer sharing," which is called the world's only route to salvation.

It is a private matter if a socialist professor from Sweden chooses to believe all this confusion. And if the pseudoliberal press lends endorsement, that also is its affair. The American public, however, must be on guard against the acceptance of such ideas as a basis for governmental action.

HANS F. SENNHOLZ

The Challenge of Liberty by ROBERT V. JONES. Chicago: The Heritage Foundation, Inc. 429 pp. $5.00.

This book contains a challenge to all who would be free. Mr. Jones concludes, rightly I believe, that "the success of liberty depends only upon its being used." It is as simple as that.

Or is that so simple? Americans have come so far along the road of collectivism that the question is no longer, "Will we use it?" but, "Do we know what liberty is?" A lot of Americans do not know anything about the philosophy of liberty. For those who are interested this book is the answer. It might even have some surprises for those who feel they know all about it.

In the first 147 pages the principles of individualism are carefully developed. The rest of the book consists of attempts to dis-

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cover how to realize the ideal of liberty in daily practice. The challenge lies in making the intellectual effort to understand, and in having "the moral courage to practice it."

Mr. Jones, a lawyer and formerly a professor of business and government, advances his argument without emotionalism or semantic obscurantism. The book's chief virtues lie in the clearly written, carefully reasoned logic of Book I, and the thoroughness with which the author attempts to apply his principles in Book II.

Another great advantage comes from having the various collectivist theories examined, and their contradictions exposed, at each stage of the argument. The author does not hesitate to show specifically how many present governmental expedients fail to measure up to the principles of liberty, and why they can never succeed.

A person's philosophy of life will depend upon his ideas, or assumptions, about the meaning of existence. He cannot choose the appropriate means to an end until he has chosen the goal. Mr. Jones asks and answers the fundamental question, "Why are we here?" From an analysis of the nature of human existence he deduces that man is on earth to develop "the best character that each individual human being by his willed decisions can achieve." For the author, this is also "apprehended as the will of God." Since a man cannot be moral unless he is free to make his own choices, liberty becomes an ethical imperative. The exposition of this concept is a significant contribution to contemporary thought.

Individualism is shown to be the only system in which man can fulfill his purpose. Since "all individuals are . . . equal in human importance," the only legitimate function of government is to maintain conditions of maximum freedom compatible with equal liberty for all.

The hard part lies in applying the principles. Occasionally Mr. Jones fails to apply them with the strict logic apparent throughout most of the book. For example, he decides against the liberty to communicate scientific information — such as how to grow marijuana and make it into cigarettes. Later on he decides in favor of freedom of speech to the extent of including "freedom of the individual to advocate the overthrow

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of the existing government by force. . . ."

Both are illustrations of the possible misuse of liberty, but whether the government may or may not properly intervene has become a matter of the author's opinion. Such a procedure provides a precedent for breaking the stringent restrictions on government, which Mr. Jones himself considers essential to the preservation of liberty. Usually he is well aware of the irrepressible tendency of power to corrupt those who exercise it.

The discussion of "assistance" does not seem to me entirely consistent with the principles enunciated earlier. Although the injustices in present systems of state aid are skillfully exposed, and strict rules are laid down for deciding who is to be entitled to such assistance, there is no mention of charity in the sense of love. Apparently the author assumes that private philanthropy will not take care of all who require help. He does not seem to realize that those who cannot help themselves provide an opportunity for the development of good character through the practice of true Christian charity.

Yet we find him saying that "a people who are barred from the exercise of private philanthropy, through usurpation of the field by the state, must cease to have conviction of its need."

The flaws in this book are minor ones. Mr. Jones has done a job that has long needed doing. *The Challenge of Liberty* will be of tremendous help to those who have an emotional attachment to individualism, but are unable to defend their position against the convinced socialist or confused welfare-statist. It should provoke a great deal of thought on the philosophy of liberty — a concept of immense significance for this collectivist age!

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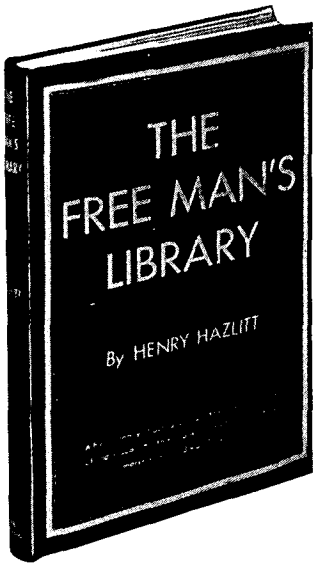

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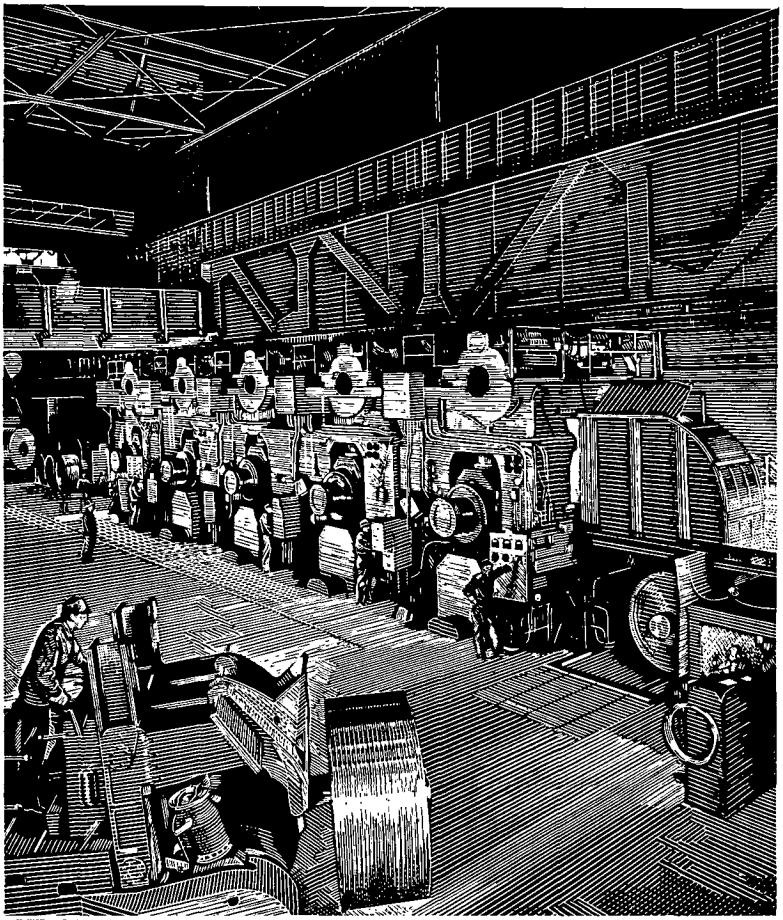

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A selection from "Liberty: A Path To Its Recovery" by F. A. Harper. The Foundation for Economic Education, Irvington-on-Hudson, N. Y. 159 pp. $1.00 paper-bound, $1.50 clothbound.

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